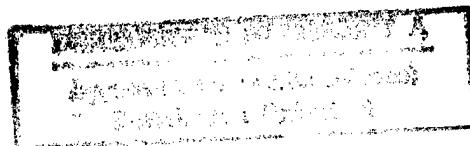


018070

JPRS 82191

8 November 1982



USSR Report

WORLD ECONOMY AND INTERNATIONAL RELATIONS
No. 6, June 1982



19980901 060

FBIS

FOREIGN BROADCAST INFORMATION SERVICE

20
132
AΦ7

NOTE

JPRS publications contain information primarily from foreign newspapers, periodicals and books, but also from news agency transmissions and broadcasts. Materials from foreign-language sources are translated; those from English-language sources are transcribed or reprinted, with the original phrasing and other characteristics retained.

Headlines, editorial reports, and material enclosed in brackets [] are supplied by JPRS. Processing indicators such as [Text] or [Excerpt] in the first line of each item, or following the last line of a brief, indicate how the original information was processed. Where no processing indicator is given, the information was summarized or extracted.

Unfamiliar names rendered phonetically or transliterated are enclosed in parentheses. Words or names preceded by a question mark and enclosed in parentheses were not clear in the original but have been supplied as appropriate in context. Other unattributed parenthetical notes within the body of an item originate with the source. Times within items are as given by source.

The contents of this publication in no way represent the policies, views or attitudes of the U.S. Government.

PROCUREMENT OF PUBLICATIONS

JPRS publications may be ordered from the National Technical Information Service (NTIS), Springfield, Virginia 22161. In ordering, it is recommended that the JPRS number, title, date and author, if applicable, of publication be cited.

Current JPRS publications are announced in Government Reports Announcements issued semimonthly by the NTIS, and are listed in the Monthly Catalog of U.S. Government Publications issued by the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402.

Correspondence pertaining to matters other than procurement may be addressed to Joint Publications Research Service, 1000 North Glebe Road, Arlington, Virginia 22201.

Soviet books and journal articles displaying a copyright notice are reproduced and sold by NTIS with permission of the copyright agency of the Soviet Union. Permission for further reproduction must be obtained from copyright owner.

JPRS 82191

8 November 1982

USSR Report

WORLD ECONOMY AND INTERNATIONAL RELATIONS

No. 6, June 1982



FBIS

FOREIGN BROADCAST INFORMATION SERVICE

8 November 1982

USSR REPORT
WORLD ECONOMY AND INTERNATIONAL RELATIONS

No. 6, June 1982

Translation of the Russian-language monthly journal MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA published in Moscow by the Institute of World Economy and International Relations, USSR Academy of Sciences.

CONTENTS

Contents of 'MEMO,' No 6, June 1982	1
English Summaries of 'MEMO' Articles	3
U.S. Strategy: Use Nuclear Arms To Achieve Political Ends (V. Petrovskiy)	7
Georgiy Dimitrov's Loyalty to USSR, Lenin Stressed (B. Panov)	13
Theoretical Bases, Practical Effects of Reaganomics Examined (A. Anikin)	26
African Demands for New International Economic Order Endorsed (L. Goncharov)	40
Rise of Monetarism Among Western Economists Surveyed (V. Uscoskin)	56
U.S. Military Threat to Persian Gulf States Viewed (T. Alekseyeva, Yu. Fedorov)	76
Israeli, U.S. Policy in Lebanon Attacked (A. Pavlov)	84
Differences on East-West Trade Strain U.S.-W. Europe Ties (Yu. Andreyev)	88

Third-World States Cooperate To Resist Western Domination (E. Khristich)	90
Historical Background to Falklands Dispute Chronicled (Yu. Barsegov, L. Imnadze)	103
Book on Study of Global Problems Reviewed (G. Shakhnazarov)	111
Book Criticizing Western Theories of Labor Reviewed (S. Pronin)	116
Book on Capitalist World Economic Crisis Reviewed (G. Chibrikov)	118
Book on Conflicts Between Socialist States Reviewed (L. Nezhinskiy)	121
Book on Class Bases of U.S. Foreign Policy Reviewed (V. Lukov)	124

PUBLICATION DATA

English title : WORLD ECONOMY AND INTERNATIONAL RELATIONS,
No 6, June 1982

Russian title : MIROVAYA EKONOMIKA I MEZHDUNARODNYYE
OTNOSHENIYA

Author (s) :

Editor (s) : Ya. S. Khavinson

Publishing House : Izdatel'stvo "Pravda"

Place of Publication : Moscow

Date of Publication : June 1982

Signed to press : 28 May 1982

Copies : 31,000

COPYRIGHT : Izdatel'stvo "Pravda". "Mirovaya
ekonomika i mezhdunarodnyye otnosheniya",
1982

CONTENTS OF 'MEMO,' NO 6, JUNE 1982

Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNNYE OTNOSHENIYA in Russian No 6, Jun 82
(signed to press 28 May 82) pp 1-2

[Articles published in this report are indicated with an asterisk (*)]

[Text] Contents

*"Disarmament and the Futility of the Schemes of Its Adversaries"-- V. Petrovskiy.....	3
*"A Life Devoted to Struggle"--B. Panov.....	12
*"The Second Year of 'Reaganomics'"--A. Anikin.....	23
"Political Problems of the Integration Process in Western Europe"-- V. Baranovskiy.....	35
*"Africa in the Struggle for a New International Economic Order"-- L. Goncharov.....	49
"The Reorganization of the Japanese Economic Structure and Its Scientific and Technical Base"--B. Dobrovinskiy and S. Ul'yanichev.....	63

Criticism of Bourgeois Theories

*"The Monetarist School in Bourgeois Political Economy: Sources, Evolution, Perspectives"--V. Usoskin.....	74
---	----

Our Comments

*"The Imperialist Threat Hanging Over the Persian Gulf"-- T. Alekseyeva and Yu. Fedorov.....	91
*"Israeli Terrorism and Its Patrons"--A. Pavlov.....	97

In the Scientific Council of the USSR Academy of Sciences Institute of the World Economy and International Relations

*"World Economic Crisis of 1980-1982".....	100
--	-----

Surveys and Reports

*"The Program of 'Collective Self-Reliance'"--E. Khristich.....	120
*"The Falkland (Malvinas) Islands: An Old Dispute in a New Set of Circumstances"--Yu. Barsegov and L. Imnadze.....	129

Environmental Matters

"Ecological Problems in the Developing Countries"--N. Karagodin..... 135

Books and Authors

*"The Study of Global Problems: Achievements and Objectives"--	
G. Shakhnazarov.....	143
*"Fundamental Problems in the Capitalist Method of Production"--	
S. Pronin.....	146
*"A Ship Out of Control"--G. Chibrikov.....	147
*"Relations Between Socialist Countries: Problems of Theory"--	
L. Nezhinskiy.....	149
*"The Driving Forces of American Foreign Policy"--V. Lukov.....	151
"Program of Antimonopoly Struggle"--F. Burdzhalov.....	153
"Important Aspects of Ecology"--A. Suetin.....	156

COPYRIGHT: Izdatel'stvo "Pravda". "Mirovaya ekonomika i mezhdunarodnyye
otnosheniya", 1982.

8588

CSO: 1816/9

ENGLISH SUMMARIES OF 'MEMO' ARTICLES

Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA in Russian No 6, Jun 82
(signed to press 28 May 82) pp 158-159

[Text] The Issue in Brief

In his article "Disarmament and the Failure of the Schemes of its Adversaries," V. Petrovskiy stresses that the need to restrict armaments and to effect disarmament has become an issue in world politics through the purposeful and consistent efforts of the Soviet Union. It must be given the credit for putting this issue on the agenda by putting forth various initiatives aimed at finding practical solutions to these problems. The arms race, which is now acquiring new features under the conditions of the technological revolution, increases the possibility of a surprise attack and, according to some experts, can make military conflicts even more fatal. The author discusses the dynamics of world military expenditures and compares them to the data of individual countries, arguing that the major imperialist powers are responsible for the growth of these expenditures because the United States and the NATO bloc in general are invariably the instigators of the arms race. This is being done to disrupt the military-strategic balance shaped during the past decade between the USSR and the United States and between the Warsaw Pact and NATO. It is being done to change the course of history, to dictate the United States' will to the world and to hinder social progress. The author takes care to unmask the myths of the "Soviet military threat" and the "balance of fear" concept that is now so popular in the West. Under present conditions, the Second Special Session of the UN General Assembly on Disarmament has the important and urgent task of preventing the replacement of the policy of disarmament by the imperialist policy of dealing "from a position of strength." The assembly must vigorously promote disarmament, the resumption of postponed negotiations and the commencement of new ones.

The article by B. Panov, "A Life Devoted to Struggle," is dedicated to the centenary of G. Dimitrov--an outstanding revolutionary, a remarkable patriot and an internationalist who fought fearlessly against fascism and war, a man who devoted his life to the noble task of defending the interests of the working class and all working people, and to the noble cause of socialism. G. Dimitrov was a revolutionary, a Leninist who never separated the theory of Marxism-Leninism from revolutionary practice, who had great respect for the historical traditions of his people and who was also infinitely devoted to the ideals of international solidarity. The

author relates how G. Dimitrov made a valuable theoretical contribution to the elaboration of the political orientation of the international communist and workers movement, proceeding from the historic experience of the Great October Socialist Revolution and the class struggle in Bulgaria and other countries. His name is indissolubly connected with the struggle against revisionism, reformism and anti-Sovietism, with the cause of strengthening the unity and solidarity of the socialist countries and with the world system of socialism and its enormous historic achievements in the political, economic and other spheres.

According to A. Anikin's article, "The Second Year of 'Reaganomics,'" the results of the first year of Reagan's presidency and the prospects of the second year appear rather discouraging. The United States has been suffering from a prolonged recession and a postwar record level of unemployment. Reaganomics was never intended to resolve the current crisis and Reagan's attitude toward the production slump and mass unemployment has therefore been marked by increasing passivity.

The Reagan Administration held fast to the experimental economic course, convinced that tax reduction combined with a slowdown in the growth of federal spending and monetary restraint would send America into a frenzy of productive activity. This policy is fully consistent with the doctrine of supply-side economics stemming from monetarist theory and will eventually help the wealthy at the expense of virtually all other groups. The author examines the main elements of Reaganomics, including the considerable increase in military spending, the lowering of personal income tax rates to provide incentives for savings and investments benefiting large corporations and the relaxation of rigid business restrictions.

The implementation of Reaganomics has some external aspects that have aggravated inter-imperialist rivalry. Although Reaganomics has received an eager welcome in Great Britain, it is having a serious negative effect on Western Europe and Japan, where "exported" high interest rates threaten to inhibit recovery.

Under the conditions of economic recession, sharply increased military spending combined with tax cuts lead to mounting federal deficits. The current 12-digit budget deficit signals the failure of anti-inflation policy. All of this erodes public confidence in the administration, which appears to be incapable of handling both inflation and unemployment within the near future.

In his article, "The Political Problems of the Process of Integration in Western Europe," V. Baranovskiy examines the political contradictions inherent in Western European integration in the late 1970's and early 1980's. The direction and essence of the political evolution of the European Communities depend above all on the nature of relations between three major members--France, the FRG and Great Britain, with the latter's limited integration into the political system of the European Communities. The further expansion of the Common Market will apparently create new areas of tension in the European Communities, complicating the quest for mutually acceptable compromises. The work of the Commission of the European Communities, with its new composition, and the more active role played by the European Parliament after the election of its deputies by a direct ballot demonstrate the desire to enhance the role of these institutions in the integration process. Foreign policy coordination remains fragmentary and does not always produce the desired results, despite the activities of the machinery created for this purpose.

In the article "Africa in the Struggle for the New International Economic Order," L. Goncharov considers the major issues of African economic development, which are closely related to the reorganization of the current inequitable economic relations between the African states and the developed capitalist countries. The author reveals the scale of Western exploitation of the African states through the export of capital and their growing foreign debt. He also discusses the measures taken by these states to limit this exploitation. The article contains a detailed description of some African countries' efforts to work out a regional development strategy for the 1980's and a discussion of the principal features of this strategy. Special attention is paid to the assessment of the concept of collective self-reliance and the Lagos Plan of Action to carry out the regional development strategy. The struggle for a New International Economic Order is examined as an integral part of the developing countries' struggle to abolish all forms of economic inequality, eradicate the colonial legacy in the economy and in foreign economic relations and fight against neocolonialism and its main strike force, namely the multinational corporations. A special section of the article deals with the imperialist powers' attempts to counteract the demands of the developing countries and criticizes some works by bourgeois and social reformist authors on the New International Economic Order (the reports by J. Tinbergen, M. Guernier and W. Brandt's commission).

B. Dobrovinskiy and S. Ul'yanichev wrote the article "Japanese Economic Reorganization and the Management of Research and Development" with the aim of examining the interaction between the transformation of the industrial structure and the changes in research and development activity in Japan. The history of Japan's postwar development has been marked by two industrial reforms. Although the industrial reorganization of the 1960's was fairly localized, it had a considerable effect on research and development strategies with regard to the current restructuring of the Japanese economy, which began in the early 1980's. Summarizing the experience of the 1960's, the authors single out its typical components, namely the mass-scale imports of foreign technology, the preponderance of research and development performed in the business sector combined with government support of priority fields of research, the emphasis on applied research and the pragmatic orientation of scientific activity. The main goal of the current restructuring is the incorporation of the new future-oriented technology in industrial practice, with electronics earmarked as the key industry. In the coming decade, technological change will require a recognition of the need to generate intraorganizational creativity, with the emphasis on fundamental research. This strategy presupposes increased government participation in fundamental research, as well as state involvement in the mobilization of private research facilities and funds for commissioned research and development projects. The government will try to encourage concerted effort by traditional rivals on a cooperative basis, including cooperation with foreign counterparts. The new scientific policy will stimulate the modification of organizational forms and the management of research and development with a view to joint research projects sponsored by governmental institutions and stipulates a new approach to research and development staffing. The trend in Japan is to choose new company presidents from among individuals who have been engaged in research and development for a long time. Most companies place half of their annual personnel increment of scientific and engineering graduates in production areas.

The current Japanese restructuring program appears to be quite ambitious and could lead to serious domestic and international problems.

V. Usoskin's article, "The Monetarist School in Bourgeois Political Economy: Origins, Evolution, Perspectives," is the first in a series of articles analyzing the modern conservative doctrines that are gradually taking the place of the long-dominant Keynesian theories. The conservative onslaught against post-Keynesian economics is being led by monetarism, headed by M. Friedman. The emergence of this school in the late 1950's did not offer its disciples a promising future. Nevertheless, despite the pessimistic expectations of rival scholars, monetarism has demonstrated its vitality, stemming from its frank support of the interests of monopolistic capital, which is striving to overcome the current recession at the expense of the working class and with the considerable curtailment of state regulation in the private business sector.

The author points out the fact that monetarism is a multifaceted trend in bourgeois political economy, consisting of largely contradictory elements and approaches, which complicate its analysis. Regardless of the differences within the school, all of these theories have one feature in common--the belief that "money matters."

Monetarism has become one of the most influential trends in bourgeois economics and could have a major impact on domestic and foreign policymaking in the capitalist countries.

COPYRIGHT: Izdatel'stvo "Pravda". "Mirovaya ekonomika i mezhdunarodnyye otnosheniya", 1982.

8588
CSO: 1816/9

U.S. STRATEGY: USE NUCLEAR ARMS TO ACHIEVE POLITICAL ENDS

Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA in Russian No 6, Jun 82
(signed to press 28 May 82) pp 3-11

[Article by V. Petrovskiy: "Disarmament and the Futility of the Schemes of Its Adversaries"]

[Excerpt] I

Adhering to the Leninist strategy of peace, the 26th CPSU Congress stressed that "the focal point of party and state foreign policy activity has been and is struggle to reduce the danger of war and curb the arms race."

The problem of curbing the arms race and accomplishing disarmament entered world politics as a result of the purposeful and consistent efforts of the world's first socialist state. The Soviet Union must be given the credit for putting this problem on the agenda of international life and for suggesting specific ways of solving it. It would be no exaggeration to say that the Soviet proposals are the main factor in the formation of the concepts, principles and approaches adopted by the world community in this area. This also applies to the realization that disarmament is the chief objective of the present day and to individual aspects of the problem, including the principles and workings of talks on arms limitation and disarmament. The main ideas put forth by the Soviet Union in the area if disarmament were reflected in the final document of the First Special Session of the UN General Assembly on Disarmament (1978), which represents a comprehensive program of action to curb and stop the arms race.

The situation with regard to disarmament has not improved in recent years, however, but has actually deteriorated.

The positive changes that took place in the world in the 1970's were fiercely resisted by militaristic and aggressive forces, especially in the United States. In an attempt to change the international balance of power in their own favor, especially in the military sphere, reactionary circles began the more intense buildup of weapon arsenals and organization of military preparations.

The technological revolution has sharply accelerated the process by which weapons become obsolete. Whereas people used the bow and arrow for thousands of years and the gun for centuries, the designs of military tanks, airplanes and ships become

obsolete literally within a few years. Experts have estimated that technological progress brings about the virtual renewal of basic weapon systems each 10 or 12 years. The situation is complicated by the fact that the arms race in some areas is already approaching the point at which it might be impossible to curb it with the aid of agreements based on mutual control.

In addition to this, there is also the mounting danger of the unauthorized or accidental use of nuclear weapons, which could serve as the detonator of a nuclear conflict. Eloquent testimony can be found in the reports of the unreliability of early warning systems and the false alarms in the U.S. strategic forces. According to experts, qualitative innovations in weapon systems can make military conflicts even more fatal. Another important factor is the constant reduction of the interval between the time when nuclear weapon carriers are launched and the time of impact. For example, the deployment of new American missiles in Europe would reduce this interval from 30 minutes to 5 or 6. This creates the danger of the kind of destabilization of the world strategic situation that might plunge the world into a nuclear war.

The dynamics of world military expenditures (in real terms they have doubled in the last 20 years) and their comparison to the data for individual countries indicate that the major imperialist powers are to blame for their growth. The instigators of the arms race have invariably been the United States and the NATO bloc as a whole.

In the first 32 years after the war (1946-1977) direct U.S. military expenditures exceeded 1.8 trillion dollars--a figure 3.5 times as high as the present value of fixed capital in the nation's processing industry. In 1978 Washington decided on a sharp reversal in foreign policy, began to create superior military strength and committed the NATO countries to an annual increase of at least 3 percent in real terms in their military expenditures. The 5-year U.S. military program published that year envisaged an average increase of 5 percent. In fiscal 1980 U.S. military appropriations totaled 145.8 billion dollars, and in fiscal 1981, after Reagan took office, they reached 182.4 billion dollars. An even larger sum is planned for fiscal 1982--218.9 billion dollars. Future military budget growth is also planned: In the next 5 years over 1.5 trillion dollars will be spent on military needs.¹ What is more, the annual real increase in the Pentagon budget is already equivalent to 8.3 percent.

The administration's line of accelerated militarization is expected to increase the military share of the federal budget from 24.3 percent in fiscal 1981 to 29.2 percent by 1983 and 37.2 percent in 1987. The military share of the GNP will also rise--from 5.6 percent in fiscal 1981 to 7.8 percent in 1987. A large share of military expenditures will be used to re-equip and--what seems particularly dangerous--to develop new types of strategic nuclear weapons. Above all, these will include the MX intercontinental ballistic missile, which will be added to the Minuteman and Titan missiles that are now being used and will have a multiple warhead (it could consist of 10 independently targetable warheads with a force of 300 kilotons each). According to Pentagon estimates, from 200 to 350 of these missiles will be built within 10 years.

Plans also call for the development of new strategic bombers based on the already tested B-1 planes and planes based on the new Stealth technology.

One of the Pentagon's major programs envisages the expansion and rearming of the nuclear submarine fleet in the near future. Powerful new submarines of the "Ohio" type, equipped with Trident 1 and Trident 2 ICBM's with multiple warheads of 100-300 kilotons each, will be built. The White House has also announced the production of a new MK-12A warhead, with twice as much force as the previous one. The first generation of air- and submarine-based long-range cruise missiles with a 200-kiloton warhead will be deployed.

In addition to re-equipping all components of the strategic triad, Washington plans to modernize its conventional weapons and armed forces. The plans for their development envisage a personnel increase of 200,000 in the next 5 years. A large-scale program will be carried out for the modernization and re-equipping of ground forces with new M-1 type Abrams tanks, combat vehicles, new helicopters, antiaircraft missiles, artillery systems, etc. The total number of warships of all types will be increased to around 600 (including 15 strike and multipurpose carriers) in order to create a "three-ocean" fleet in place of the present "two-ocean" fleet.

Priority has been assigned to the supply and maintenance of the "rapid deployment force" of 200,000, intended for interventionist actions in any part of the world that might be arbitrarily declared a sphere of U.S. "vital interests."

Washington is not satisfied with the growth of only its own military spending. The god of militarism is also devouring monstrous quantities of resources in the North Atlantic bloc, in which American imperialism plays the central role. In 1980 the bloc members spent over 240 billion dollars on military purposes (90 billion spent by the European countries). In the last 10 years the NATO countries' military expenditures have exceeded 1.8 trillion dollars. Per capita expenditures are indicative: In 1980 they were (in dollars) 644 in the United States, 437 in England, 410 in the FRG, 378 in Belgium, 374 each in France and Holland, 363 in Norway and 274 in Denmark. The combined armies of the NATO countries consist of almost 5 million soldiers and officers (including around 3 million in Western Europe). Besides this, the NATO countries and Japan are prepared to call upon another 7 million reserve and civilian personnel for military service.

In May 1978 NATO adopted an additional program for the quantitative and qualitative buildup of this aggressive bloc's weapons over the next 15 years. In addition to previously planned expenditures, another 80 billion dollars was allocated for the program. In December 1979, under U.S. pressure, the NATO leadership decided to deploy around 600 new American medium-range missiles, aimed at the USSR and other socialist countries, in Western Europe.

The buildup of Western weapons, especially nuclear arms, has been accompanied by a shift in military-political thinking toward a greater emphasis on preventive nuclear strikes and the conduct of nuclear war with more accurate weapons.

Washington's current, officially approved military doctrine of "direct confrontation" assumes the possibility of victory in a nuclear war. It places more emphasis on first-strike potential than the earlier doctrines of "massive retaliation,"

"flexible response" and "realistic intimidation." The doctrine of "direct confrontation" is based on the idea of "limited" nuclear war, which was officially formulated by President Carter in "Directive 59" (August 1980). In essence, it calls for the delivery of selective nuclear strikes to such targets as missile silos, troop groupings and the centers of military and political control, which presupposes the element of surprise. A 1981 SIPRI report says in this connection that U.S. military technical requirements for "limited" nuclear war are virtually identical to pre-emptive strike requirements.²

A "limited" nuclear war against the Soviet Union should, according to its adherents, serve as a means of attaining U.S. geopolitical goals. As President Reagan essentially admitted in a conversation with small-town newspaper editors in 1981, the administration believes that "limited" nuclear war is possible, but it would be a war which will turn Western Europe or another part of the world into a radioactive desert and will leave the United States out of the theater of combat.

People in the United States who cherish plans for a first nuclear strike want to find a way out of the "nuclear stalemate" at any cost and prove that nuclear weapons can serve as a means of attaining political goals. It is no wonder that the recent changes in U.S. strategic doctrine envisage a protracted exchange of nuclear strikes with the USSR. On 4 November 1981 Secretary of State A. Haig publicly announced that Washington had an "emergency" plan for a possible "show of nuclear strength."

"They want people to think," L. I. Brezhnev said at the 26th CPSU Congress in reference to these concepts, "that nuclear war can be limited and they want to accustom them to the idea that this kind of war is acceptable. But this is outright deception! After all, what the Americans call a 'limited' nuclear war in Europe, for example, would mean the certain destruction of European civilization from the very outset. Obviously, even the United States could not remain untouched by the flames of war. It is clear that these plans and 'doctrines' are a serious threat to all people, including the Americans." The transition, accompanying the buildup of conventional weapons and armed forces, from the concepts of "one and a half" and "two and a half" wars to the concept of "geographic escalation" is also of a peace-endangering aggressive nature. According to this concept, if a conventional war should break out in any theater, the United States and its allies should be ready to extend combat operations involving the use of conventional means of destruction to other theaters where the "enemy is more vulnerable"; in other words, this kind of war might encompass not only Europe, which is still regarded as the main theater of war, but also the Middle, Near and Far East and sea and ocean theaters of combat.

The weapon buildup and advancement of aggressive military doctrines in the West are contributing to the spread of militarism, which V. I. Lenin defined as one of the "vital signs" of capitalism.³ Militarism as a system of economics, politics and ideology in the capitalist society took shape in the 19th century and underwent further development in the imperialist era. Imperialism, V. I. Lenin stressed, "by virtue of its fundamental economic features, is distinguished by...maximum and thorough development of the military establishment."⁴ At the same time, the

ideology of militarism promotes the spread of chauvinistic and racist feelings, the more repressive treatment of the working class and other democratic movements and the establishment of methods of force and diktat in foreign policy. The ideology of militarism enters the public mind through the daily influence of the mass media, which are closely connected with the military-industrial complex and which popularize the cult of violence. Imperialism now views militarism as the most important guarantee of the continued existence of the capitalist order. In its attempts to stop, or at least slow down, the undesirable course of world events and to regain the power to decide the fate of nations, imperialism relies on military strength and a policy of military ventures and aggression.

The unprecedented rates and scales of the weapon buildup in the imperialist countries are intended to disrupt the existing approximate balance of forces between the Warsaw Pact and NATO, attain military superiority to the socialist countries and dictate imperialism's wishes to the entire world. The aim is to shift the existing balance of military forces in the U.S. favor on the global and regional levels--in Europe, the Far East and Pacific region, the Indian Ocean zone, the Middle East, Africa and Latin America. The measures taken by the United States to change regional balances in its own favor in all strategically important parts of the world apply to nuclear and non-nuclear weapons and to ground and naval forces and envisage more active military preparations by the United States' allies.

The present round in the arms race is aimed at military and technical preparations for the actual conduct of war and has been accompanied by the appearance of the doctrine of "limited" nuclear war and the elaboration of ideas about "complete" war, presupposing the simultaneous use of conventional, nuclear and chemical weapons in combat.

The arms race unleashed by the United States and its NATO allies also has other deep roots connected with the socioeconomic system in these countries. With the aid of broad-scale militaristic programs, the capitalist states are striving to load the production capacities of military concerns in their countries and keep their economies from reaching a state of crisis.

Obviously, Washington's escalation of the arms race is arousing war hysteria in the West and is severely deteriorating relations between the USSR and the United States and between the capitalist and socialist countries in general. This policy line escalates international tension, aggravates relations between states and increases the probability of armed conflicts. These peace-endangering steps are being taken in spite of the Soviet Union's clearly expressed willingness to sit down at the negotiation table to discuss any matters pertaining to arms race limitation.

FOOTNOTES

1. According to the latest reports in the press, even this figure could be surpassed by 750 billion dollars.
2. "World Armaments and Disarmament. SIPRI Yearbook 1981," London, pp 33-34.

3. V. I. Lenin, "Poln. sob. soch." [Complete Collected Works], Vol 17, p 187.
4. Ibid., Vol 37, p 248.

COPYRIGHT: Izdatel'stvo "Pravda", "Mirovaya ekonomika i mezhdunarodnyye otnosheniya", 1982.

8588
CSO: 1816/9

GEORGIY DIMITROV'S LOYALTY TO USSR, LENIN STRESSED

Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA in Russian No 6, Jun 82
(signed to press 28 May 82) pp 12-22

[Article by B. Panov: "A Life Devoted to Struggle (Commemorating the 100th Anniversary of Georgiy Dimitrov's Birth"]

[Text] "A true revolutionary and leader is forged in the fire of class struggle and thoroughly assimilates revolutionary Marxism. It is not enough to acquire a revolutionary temperament--he must also be able to handle the weapon of revolutionary theory. It is not enough to know theory--he must also develop a firm Bolshevik character and Bolshevik intransigence. It is not enough to know that has to be done--he must also have the courage to do what is needed. He must be prepared to do anything that is truly in the interest of the working class at any cost. He must be able to devote his personal life wholly to the interests of the proletariat."¹ These words by G. Dimitrov could be used to describe him. As one of the founders and leaders of the Bulgarian Communist Party, G. Dimitrov entered the history of the international workers and communist movement as an outstanding revolutionary, a remarkable patriot and internationalist, a fearless fighter against fascism and war and a man who devoted his entire life to the noble cause of struggle for the interests of the working class and all laborers and for socialism.

A Fiery Revolutionary

The formation of G. Dimitrov's political outlook, which determined his later choice of a career, took place when the workers movement began to gather strength and the proletariat entered the historical arena as the leading social force. He was greatly influenced by the works of Bulgarian revolutionaries Kh. Botev and D. Blagoyev and Russian revolutionary democrats A. Gertsen, N. Dobrolyubov and N. Chernyshevskiy. The deciding role in Dimitrov's decision to become a proletarian revolutionary, however, was played by his thorough study of the works of K. Marx, F. Engels and V. I. Lenin. He did not simply follow their instructions but also became an active propagandist of Marxism-Leninism, developed the views of the founders of scientific socialism in creative ways and put Marxist-Leninist concepts into practice in the revolutionary struggle of the laboring masses.

G. Dimitrov joined the Bulgarian Workers Social Democratic Party (BWSDP) when he was a young man of 20. The Bulgarian Social Democrats were undergoing difficulties at the beginning of the 20th century. The revolutionary Marxists, or the narrow

socialists as they were called, headed by D. Blagoyev, waged a resolute and persistent struggle against the conciliatory policy of opportunists in the party and consistently upheld its proletarian nature and the purity of Marxism. When G. Dimitrov joined the BWSDP, he unconditionally took the side of the revolutionary Marxists.

The party emerged from the struggle against the promoters of the petty bourgeois ideology with greater ideological strength and with no opportunists within its ranks. The 10th congress of the BWSDP (narrow socialists) in July 1903 marked the beginning of a new period in its history. At that time, just as during all the rest of his life, G. Dimitrov was in the thick of events and used any opportunity to energetically publicize Marxist ideas to the masses. His vigorous activity had already put Dimitrov among the party's leading organizers by that time. At the 11th party congress in July 1904, he was elected a member of the commission on the press, and in 1905 he was elected a secretary of the Sofia party organization. During this period, whether he was leading the miners' strike in Pernik, speaking at workers' rallies or performing party and trade-union work, he was always distinguished by his deep devotion to the revolutionary cause and the passion of a fighter. He could always be found leading labor demonstrations wherever class conflicts were particularly acute. He was persecuted, arrested and imprisoned more than once for his revolutionary activity, but he staunchly endured all hardships. The 16th party congress in 1909 elected him a member of the Central Committee. From that time on G. Dimitrov was a member of the Central Committee until the last days of his life.

The talented organizer and brilliant speaker and publicist G. Dimitrov became the guiding spirit of labor collectives in Bulgaria. At the age of 27 he was elected secretary of the General Labor Syndicate and the Miners' Union and chairman of the Printers' Union. Laborers were drawn to G. Dimitrov and everyone was moved by his speeches to laborers and by his revolutionary zeal. He was able to instill people with the belief that the revolutionary cause was just and to convince them to follow his lead. It was a mark of the deep respect that people felt for G. Dimitrov when he was elected deputy of the Bulgarian National Assembly from the party of the narrow socialists in 1913 and was then elected secretary of the party parliamentary faction. G. Dimitrov's passionate speeches from the parliamentary rostrum in defense of working class interests and in condemnation of those who were pushing the world into the abyss of World War I had widespread social repercussions.

G. Dimitrov responded to the news about the victory of the Great October Socialist Revolution in Russia with great excitement, seeing it as a materialization of Marxist-Leninist ideas and the beginning of a new era in human history. Referring to the impact of Great October on political developments, particularly in the Balkans, G. Dimitrov stressed that "it was like a searchlight cutting through the gloomy night of war on the Balkan fronts. Like a guiding star, it showed the Balkan people and millions of workers and peasants the way to peace and freedom."² He heartily congratulated the victorious Russian proletariat and appealed for solidarity with it. He was one of the organizers of a mass rally in Sofia on 2 December 1917, which concluded with the adoption of a resolution saying that "Bulgarian working men and women regard the cause of the Russian proletariat as

their own cause and are prepared to make every effort for its complete triumph."³ Later, G. Dimitrov referred repeatedly to the experience of the October Revolution, pointing out its worldwide historic and lasting significance.

Both in the area of theory and in practical affairs, G. Dimitrov was a loyal disciple and follower of V. I. Lenin and made creative use of the rich theoretical legacy of the founders of scientific socialism and the experience of the workers movement in Bulgaria and other countries. He and other consistent Bulgarian Marxists must be given credit for overcoming harmful trends within the BWSDP, for Bolshevizing it and turning it into a Leninist party. G. Dimitrov devoted many years of hard work to this goal, displaying the talents of a theorist and the persistence and determination of a practicing revolutionary.

The party of narrow socialists was formed and strengthened in the organizational and ideological respects as a proletarian Marxist party associated with the left wing of the Second International. V. I. Lenin called the members of this party revolutionary social democrats.⁴ The narrow socialists were among the founders of the Third International, established under the supervision of V. I. Lenin. Nevertheless, the party still had some of the shortcomings characteristic of social democrats in general. In particular, the narrow socialists obviously did not pay enough attention to such matters as the conditions and driving forces of revolution, the role of the poorest peasants and the need for revolutionary compromises, did not combine struggle for democracy with struggle for socialism in the Leninist manner, etc. There is no question that the party's affiliation with the Third International was of deciding significance in its Bolshevization.

At this time, G. Dimitrov wrote: "We Bulgarian communists (narrow socialists) are pleased to announce our complete agreement with Lenin with regard to the fact that the principles and tactics of the Communist International are our principles and our tactics."⁵

An important event in G. Dimitrov's life, which had a decisive effect on the subsequent formation of his political views and his development into a Revolutionary with a capital "R" was his meeting with V. I. Lenin in the beginning of 1921. The great leader of the Russian and world proletariat told G. Dimitrov: "Avoid obsessions, act sensibly and prepare constantly for a revolutionary victory in your country."⁶ In his talk with G. Dimitrov, V. I. Lenin underscored the need to strengthen the party's vanguard role, train loyal communist personnel, create a union of workers and peasants and spread party influence to the soldier masses. Lenin's instructions were a reliable point of political reference in all of G. Dimitrov's subsequent activity. They acquire all the more importance in connection with the party's exceptionally difficult position after the failure of the September Rebellion of 1923.

G. Dimitrov had to emigrate. But even outside of Bulgaria, when he was working as the editor of RABOTNICHESKI VESTNIK, a newspaper published in Vienna, and later as a member of the Komintern Executive Committee, he took every opportunity to expose liquidators and capitulators in the Bulgarian workers movement, waged an energetic struggle against "leftist" and "rightist" extremes in the party and guided it in the search for more effective legal forms of activity, connected primarily with broad-scale work among the masses. He was distinguished by his firm Leninist

adherence to principles. "History has put the question point-blank," G. Dimitrov stressed. "There will either be counterrevolution for the preservation of capitalism or proletarian revolution for the destruction of capitalism and the establishment of socialism and the complete triumph of communism through a dictatorship of the proletariat. There is no road in between!"⁷

It would be difficult to overestimate the significance of the theoretical and practical work performed by G. Dimitrov at that time. As Comrade Todor Zhivkov pointed out, Bolshevization made the party able to wage its later struggle against fascism and capitalism on a broad front, win all possible allies over to its side and unite the Bulgarian people in a strong national patriotic front.

A Great Marxist-Leninist Theorist

G. Dimitrov, a revolutionary of the Leninist type, always combined Marxist-Leninist theory with revolutionary practice. In their dialectical unity he saw a way of turning the working class and its party into the decisive force of the present era in the struggle for social progress. He also regarded Marxist-Leninist theory as an aid in the comprehension of reality and a guide in revolutionary practice. "The communist parties and the fighting detachments of the working class need to study Marxism-Leninism and the teachings of Marx, Engels and Lenin as much as they need bread, air and water," G. Dimitrov stressed.⁸ At the same time, he was a fierce opponent of dogmatism, formalism and cliches, advised the constant generalization of the social and political experience of the working class and popular masses, insisted that sociopolitical and revolutionary practice must meet the requirements of Marxist-Leninist doctrine and called for the implementation of its basic premises and the further development of theory on the basis of accumulated experience. Dimitrov was the one who said: "What we need is not the cramming of Marxist books, but the assimilation of the main aspects of our Marxist science, the assimilation of the dialectical way of thinking and of explaining events."⁹ All knowledge must "be united in a single system, representing an integral view of the world, a guide to action, with the aid of which we can not only explain what exists but also change it for the better."¹⁰

G. Dimitrov's theoretical activity helped to expand the ideological potential of the party of the Bulgarian revolutionary Marxists, gave it more influence with the popular masses and aided directly in the introduction of scientific socialism into their thinking. He waged an uncompromising and consistent struggle against reformism, rightist and "leftist" revisionism, nationalism and other tendencies and ideas alien to scientific socialism and taught the party to set its political compass to Lenin. The importance of this was corroborated by all of the subsequent experience of the international communist and workers movement, which testify that any deviation from scientific socialism poses the real threat of the loss of class guidelines and goals, the tendency to slide into reformist ways and, eventually, the loss of revolutionary essence.

G. Dimitrov taught people to find correct solutions to fit the specific political situation without deviating from the fundamental premises of Marxism-Leninism, but with their creative use... In this, he was loyal to Lenin, who stressed that it was the duty of communists to master all forms of struggle, learn to find the necessary form as quickly as possible and adapt tactics to each change of conditions.

This is precisely what the Bulgarian communists had to do after the failure of the September Rebellion of 1923, resulting mainly from the absence of a strong alliance between the proletariat and the peasantry. "A misunderstanding of the revolutionary potential of the peasantry as an ally of the working class in the revolution is one of the most characteristic differences between narrow socialism and Leninism," G. Dimitrov wrote, counseling the party to learn a lesson from this sad experience. He performed the history-making service of laying the basis for united action by communists and healthy forces in the Bulgarian National Agrarian Union, which subsequently fought shoulder to shoulder against monarchic fascism and for the victory of socialism in Bulgaria. Dimitrov viewed this alliance as a fundamental necessity, and not as a transitory objective. Experience corroborated the accuracy of this line. The close interaction and cooperation of the BCP and BNAU guaranteed many of the victories of the Bulgarian laboring public. Speaking at the 12th BCP congress, Comrade Todor Zhivkov said that "the Bulgarian Communist Party regards cohesion and united action with the fraternal BNAU as something of exceptional importance to the development and functioning of the political system. These relations are built on a solid foundation and are constantly being developed. These are excellent relations."¹¹

Under the guidance of G. Dimitrov and his ideas, the party of the Bulgarian revolutionary Marxists not only established itself totally as the only acknowledged leader of the working class, but also headed the worker-peasant alliance it had created, thereby expanding and reinforcing the bloc of forces in favor of socialism. On the basis of a scientific analysis of the new phase of struggle, G. Dimitrov creatively developed V. I. Lenin's ideas about the creation of a united front against monopolistic capital and reaction. He stressed that the creation of this front would not signify in any way a departure from the party's general principles or an abandonment of party responsibilities, but would simply involve the adoption of a common anticapitalist program in defense of the laboring masses and a joint struggle to carry out the program.

At the same time, G. Dimitrov warned against cliches, saying that the united front in each individual country should be created and developed with a view to the specific situation and to the status, nature and political level of the laboring public's organization. Its forms could differ. They included joint, concerted action for some specific purpose within the bounds of a single enterprise or branch, and joint action on the local, provincial, national and international levels.

G. Dimitrov's ideas were put to practical use in the decisions of the sixth plenum of the party Central Committee (1936) on the national front. More than a million voters supported its candidates in the National Assembly elections of 1938. During World War II G. Dimitrov initiated the creation of the Fatherland Front, which united progressive, democratic forces in Bulgaria in a struggle against fascism and for democracy, socialism and peace. Even today, the Bulgarian Fatherland Front, which has just celebrated its 40th birthday, is the most massive nationwide organization. It is constantly enriching and expanding its activity and rallying communists, non-party members and the entire Bulgarian population round BCP policy.

A Great Patriot and Internationalist

G. Dimitrov wholeheartedly loved his fatherland, Bulgaria, and had the deepest respect for the rich historical traditions of his people and the revolutionary movement of the Bulgarian working class. He was proud of being the son of the Bulgarian proletariat.

At the same time, he was distinguished by boundless devotion to the ideals of the international solidarity of laborers. In his practical work he proceeded from the belief that there could be no genuine patriotism without international solidarity, just as there could be no genuine international solidarity without true patriotism. He viewed their harmonious combination as a guarantee of the success of each communist party and the international communist and workers movement in general. Proletarian internationalism, in his words, must become "acclimatized" in each country to put down deep roots on native soil. "National forms of proletarian class struggle and the workers movement in each individual country are not inconsistent with proletarian internationalism. On the contrary, these forms can be used with success in the defense of the international interests of the proletariat."¹²

As a confirmed internationalist, G. Dimitrov fought tirelessly for the revolutionary unification of laborers and struggled against all "biases" in matters pertaining to national and international factors in the activities of communist parties. He regarded proletarian internationalism not as an abstract concept, but as the concrete political activity of Marxist-Leninist parties. Comrade Todor Zhivkov, G. Dimitrov's disciple who continued his work, said that "proletarian internationalism does not detract from the independence and equality of individual socialist countries or national divisions of the communist and workers movement. The equality of communist parties is reflected not only in their equal sovereign rights, but also in their equal international obligations."¹³

As an irreconcilable opponent of nationalism in any form or variety, G. Dimitrov regarded the struggle against it as the "primary duty of each and every communist."¹⁴ He spent much of his time instilling laborers "with the spirit of proletarian internationalism and loyalty to their motherland--that is, in the spirit of genuine patriotism."¹⁵ At the same time, national nihilism was absolutely alien to G. Dimitrov. He always advised the dialectical combination of national and international principles, stressing that "proletarian internationalism is not inconsistent with the struggle of laborers in individual countries for their national, social and cultural freedom, and it ensures, by means of international proletarian solidarity and combat unity, the support needed for victory in this struggle."¹⁶

This statement is still pertinent today. The experience of the international communist and workers movement proves conclusively that attempts to emphasize specifically national features to the detriment of international ones lead unavoidably to the renunciation of proletarian internationalism and the denial of class assessments of events, to the erosion of party ideological foundations and to an inclination toward opportunism.

G. Dimitrov was the one who said that the main criterion and touchstone of proletarian internationalism is the assessment of the world's first socialist state. He saw the Soviet Union as an inspiring example of liberation from all forms of exploitation and oppression, an example of genuine popular sovereignty and a guarantee of peace and social progress and appealed for the thorough study of the experience of revolution in Russia, socialist construction and its universally significant and specifically national features. From the history of the world proletariat's struggle, G. Dimitrov drew a fundamental conclusion: The international workers and communist movement can expect to be successful in coming battles for the triumph of communist ideals throughout the world only if it relies on the all-round assistance and support of the USSR. In this connection, he repeatedly stressed that it is impossible to be a fighter for the communist cause without being a true friend of the Soviet Union and Lenin's party, without waging an energetic and consistent struggle against all forms of anti-Sovietism and without taking every opportunity to strengthen fraternal friendship with the Soviet people. "Only those who deliberately betray the interests of their own people, only unreliable adventurists and those afflicted by blind ambition," G. Dimitrov wrote, "will try to lead their people away from the only salutary path for the development of popular democracy and the construction of socialism--the path of sincere and inviolable friendship with the Soviet Union and close solidarity with the Soviet-headed international camp of peace, democracy and socialism."¹⁷ Even in our day these words sound like a fitting reply to those who try to cast a shadow on the precarious but glorious path traveled by the Soviet people and a response to those who take an anti-Soviet stand.

On the basis of his analysis of the class struggle in Bulgaria and in other countries, G. Dimitrov made an invaluable contribution to the elaboration of the political guidelines of the international communist and workers movement. "We can confidently say," he wrote, "that no idea is more popular with the international proletariat than the idea of a united workers front, because the working masses are realizing more and more that the key to the resolution of all problems: bread, peace, freedom and the future of laboring mankind--can be found precisely in a united front of the proletariat in each individual country in Europe and the rest of the world."¹⁸ He believed that it was the historic role of the communist party to create this front and thereby fulfill its obligation to itself, its people and its country. He viewed united action by the proletariat on the national and international scales as the strongest weapon in the hands of the working class, with the aid of which it could conduct a successful defense as well as a victorious counteroffensive against the class enemy.

G. Dimitrov's outstanding personal qualities made him a prominent figure in the international workers and communist movement in the 1930's. He proved to be a major theorist and elaborated an entire series of questions of Marxist-Leninist theory.

G. Dimitrov defended his own views with revolutionary determination and steadfast conviction. He entered into an open confrontation with fascism at the Leipzig trial the Nazis had fabricated against him. The eyes of the world public were on him during the entire trial. All progressive people had the deepest respect for the courage and intrepidity with which G. Dimitrov defended himself and his

beliefs as a revolutionary communist who had devoted his entire life to struggle for the triumph of the ideals of peace, democracy and social progress. "For me, as a communist, the highest law is the program of the Communist International," he said with pride to the Nazi judges.

This court action against G. Dimitrov actually put fascism on trial. He turned the Leipzig trial into a political rostrum for the propaganda of Marxist-Leninist ideas and the explanation of communist commitments and objectives in the struggle against fascism and for democracy and peace. There was an inexorable connection between Leipzig and Nuremberg, where the Nazi war criminals were convicted in 1945. G. Dimitrov's firm and manly voice in Leipzig overwhelmed his accusers, and his high ideals and morals triumphed over fascism's brute strength. His famous verbal duel with Goering during the course of the trial ended in a complete victory for G. Dimitrov. "In what country are the fascists not barbarians and savages?" These words went beyond the walls of the Leipzig court. They were denunciatory and absolutely accurate. But it was not only his determination that distinguished G. Dimitrov at the trial, but also his profound belief in the rightness of the great communist cause. "We communists can now say, just as definitely as old Galileo: 'And yet it revolves!' The wheel of history is turning and moving ahead.... And this wheel...cannot be stopped by torture, hard labor or the death sentence. It is revolving and will continue to revolve until the final triumph of communism!"¹⁹ G. Dimitrov firmly announced in his last trial statement.

The historic significance of the Leipzig trial stemmed from the fact that G. Dimitrov not only exposed the inhuman essence and incendiary plans of fascism but also caused it to suffer its first serious moral and political defeat. His example played a tremendous mobilizing role in the unification of antifascist forces throughout the world on an internationalist basis and in the reinforcement of their unity in the struggle against Nazism and war and their efforts to save mankind from the fascist plague.

The international movement in support of G. Dimitrov forced the Nazis to set him free. When he was interviewed by a correspondent who asked him what he would do next, G. Dimitrov said: "I am a soldier of the proletarian revolution, a soldier of the Komintern. This is who I was in the court.... I will be performing my duties as a soldier of the proletarian revolution up to the last minute of my life." These words sum up G. Dimitrov.

After the Leipzig trial G. Dimitrov went to the Soviet Union, which had become a second motherland to him. During the very first days after his release he immersed himself in feverish activity to expose fascism and unite progressive forces in the world for a decisive fight against it. Stressing that fascism was not a local, temporary or transitional phenomenon, G. Dimitrov, with the absolute accuracy of a Marxist-Leninist, revealed its political nature as a weapon of the most reactionary and most chauvinistic forces of imperialism.

G. Dimitrov's abilities as an outstanding activist in the international communist and workers movement and a consistent internationalist were revealed quite strongly in his multifaceted activity in the office of secretary general of the Komintern Executive Committee. He took an active part in planning a worldwide antifascist

popular front, which was to be based on the indissoluble connection of the proletariat's alliance with non-proletarian strata and organizations. The idea was further developed at the Seventh Komintern Congress in 1935, where G. Dimitrov was the main speaker. Congress decisions ordered the communist parties to organize a broad antifascist front under the leadership of the working class. The elaboration of this line was based on the experience that had already been accumulated by communist parties in many countries and was essentially an expression of the collective thinking of the international communist and workers movement.

At the Seventh Komintern Congress, G. Dimitrov said that the most urgent task facing the proletariat was the organization of united action by all segments of the working class in the struggle against fascism. He believed that this would be a success if communists made skillful use of the weapon of Marxist-Leninist analysis, carefully studied the alignment of class forces and avoided fanciful schemes, lifeless formulas and ready-made cliches. "When the problem of the proletarian front and popular front is being solved," G. Dimitrov said in his concluding speech at the congress, "no standard recipes can be offered to fit all cases in all countries and for all peoples. Universalism in this matter, the application of the same recipes to all countries, would be tantamount, if I may say so, to stupidity."²⁰

The Seventh Komintern Congress' conclusions on the nature of the governments of the popular front and on the communists' relationship to it were of great theoretical and practical significance for the international communist movement. Here G. Dimitrov warned against all types of oversimplification. Regarding the creation of this government as a form of class struggle, he believed that the communist parties should give it all-round support as long as it actually tried to satisfy the needs and desires of broad segments of the population and definitely opposed reactionary forces.

With remarkable intuition, G. Dimitrov foresaw the impending threat of war, which was being brought to mankind by fascism. "Fascism is war"--here, in this amazingly meaningful phrase, he revealed the aggressive essence of National Socialism. Saying that it was not enough to simply want peace, that it had to be fought for, that the struggle against fascism and war and the fight for peace and social progress would necessitate the mobilization of all democratic and progressive forces, G. Dimitrov used all of his inexhaustible energy and colossal talent as an organizer to strengthen the internationalist ties between individual segments of the working class and to unite their efforts in an antifascist struggle on the national and international scales. His statements in defense of peace gave the multimillion-strong laboring masses a powerful ideological and tactical weapon. They helped to draw the broad masses into the movement against fascism and war at the end of the 1940's. They have retained their significance and, in fact, this significance has grown immeasurably in our time. After all, there is no more important task today, as the decisions of the 26th CPSU Congress pointed out, than the preservation of peace and the guarantee of the primary right of each individual--the right to life. G. Dimitrov's name is inextricably connected with this struggle. In particular, the resolution adopted at the Tenth World Trade-Union Congress in Cuba in February 1982 stressed that G. Dimitrov's tireless and enthusiastic struggle for the implementation of the humanistic principles of peace and friendship among nations is a great example for all laborers on our planet.

An Outstanding Organizer and Statesman

Everyone knows that the accuracy of any theory can only be verified by historical experience. The experience of socialist construction in Bulgaria was vivid proof of the viability of G. Dimitrov's ideas about the transition from capitalism to socialism in a country like Bulgaria. When he was working on this aspect of theory, he invariably proceeded from the belief that the peculiarities of this transition would not and could not supersede the natural laws common to all states--laws whose validity was tested in the Soviet Union.

After the victory of the socialist revolution in Bulgaria, the country had difficult problems to solve, and G. Dimitrov's abilities as a born organizer and outstanding statesman were displayed brilliantly in their resolution. His name is associated with the adoption of the 1947 constitution which secured the historic gains of the Bulgarian laboring public.

G. Dimitrov must be given the credit for the theoretical elaboration and implementation of the concept of the state of popular democracy. The most important characteristic of this state, in his opinion, is that it is ruled by the absolute majority of the population, with the working class playing the leading role. Regarding the popular democratic state as a transitional form, G. Dimitrov said that it could only become strong and fulfill all of its obligations if it were advancing toward socialism. "Representing government by the laboring public under the guidance of the working class," G. Dimitrov said at the fifth party congress, "the popular democratic regime can and should successfully perform the functions of a dictatorship of the proletariat in this historical situation, as experience has already proved."²¹ Furthermore, he repeatedly stressed that the creation of a new society would presuppose the maintenance and consolidation of close relations of all-round cooperation, mutual assistance and friendship with the birthplace of Great October and other countries engaged in socialist construction, and the thorough study and creative use of the Soviet experience. In reference to the significance of this experience, G. Dimitrov said that it "is the best and only example for the construction of socialism in our country and in other popular democracies."²²

G. Dimitrov's gigantic capacity for work and inexhaustible energy in his activity as head of the government and as general secretary of the party of Bulgarian communists were the accelerator which guaranteed the country's consistent development according to the socialist pattern. Under his guidance, the party accomplished the fundamental reorganization of the machinery of state on the central and local levels and converted the Fatherland Front into a single sociopolitical organization with a common charter and an updated program. It accomplished the nationalization of industry and banks and carried out agricultural reforms. G. Dimitrov saw the first agrarian labor cooperatives as an effective means of the socialist reorganization of the rural community. The communist party, working together with the Bulgarian National Agrarian Union, led rural Bulgaria step by step to new frontiers by successfully resolving the agrarian question, one of the most difficult aspects of socialist construction. The Bulgarian experience won world renown and became an example to many countries, and the BNAU was firmly established as an active sociopolitical force in modern-day Bulgaria and a loyal ally of the BCP.

G. Dimitrov initiated the introduction of economic planning and took an active part in the compilation of the 2-year plan for national economic recovery and development in 1947 and 1948, and later the compilation of the first 5-year plan. He was pleased with the Bulgarian people's first successes, but he always cautioned them against the danger of complaisance and warned that the road chosen by the party and the young state of laborers would not be a smooth one, like the boulevard where the National Assembly was located; it would be a hard and precarious road, but the only correct one. With the direct participation of G. Dimitrov, the BCP drafted a broad program for the construction of the foundations of socialism, which was ratified at the fifth congress in 1948. The congress called upon the party and people to speed up national development. "What other people have taken a hundred years to accomplish," G. Dimitrov stressed, "we must do, obtain and have within one or two decades if we want to secure our national freedom and independence and if we want to ensure a constantly rising level of public prosperity."²³

G. Dimitrov was instrumental in engineering the foreign policy of socialist Bulgaria, which was based on the Leninist principles of peaceful coexistence by states with differing social structures. He invariably linked the class content of foreign policy with a consistent and persistent struggle for lasting peace. Backed up by the theoretical legacy of the founders of scientific socialism, the Bulgarian communists, headed by G. Dimitrov, contributed to the elaboration of theories about war and peace, the class nature of war and the close connection between working class demonstrations for peace and the struggle for socialism. Along with other members of the socialist community and progressive forces throughout the world, Bulgaria is resolutely opposed to the present aggressive behavior of imperialism, especially the American variety, which could put mankind on the brink of war, and is in favor of curbing the arms race, strengthening trust and expanding cooperation by all countries and peoples.

G. Dimitrov displayed the Leninist characteristic of constant adherence to the principle of proletarian internationalism in foreign policy activity as the basis of interrelations between communist parties and countries on the socialist road of development. He felt that the development of friendship and cooperation with the Soviet Union was of primary significance. In his words, "friendship with the Soviet Union is one of the organic needs of our people and a sign of their legitimate feelings of gratitude to their older brother--the great Russian people--and the Soviet Union."²⁴ G. Dimitrov's signature can be found on the first agreements that laid a solid foundation and set the guidelines of Bulgaria's interrelations with the USSR and other socialist countries. In Bulgaria, G. Dimitrov dreamed of creating "the kind of state whose sovereignty and dignity would be recognized by all and whose efforts to strengthen peace and democracy throughout the world would win the deserved sympathy and respect of all freedom-loving and democratic people."²⁵ This dream came through. Following G. Dimitrov's instructions, the Bulgarian people carried out his plans with the aid of the Soviet Union. Backward agrarian Bulgaria was turned into an industrially developed socialist state, successfully carrying out a broad program for the construction of mature socialism in cooperation with the Warsaw Pact and CEMA countries. Present-day Bulgaria is a fitting monument to G. Dimitrov's cause. Words of profound political significance were heard at the 12th BCP Congress when the accountability report was presented and the speaker said that, never in its history "has Bulgaria

had a population like today's Bulgarian people--with such a high level of education and culture, with such a community of interests, goals and ambitions, with such high international prestige and with such unshakeable faith in their own strength and their future."²⁶ Much of the credit for this must be given to G. Dimitrov.

FOOTNOTES

1. "Georgiy Dimitrov o molodezhi" [Georgiy Dimitrov's Ideas About Youth], Sofia, 1977, p 24.
2. G. Dimitrov, "Selected Works," vol 1, Moscow, 1957, p 280.
3. "Sovetsko-bolgarskiye otnosheniya i svyazi" [Soviet-Bulgarian Relations and Contacts], vol 1, Moscow, 1976, p 23.
4. V. I. Lenin, "Poln. sobr. soch." [Complete Collected Works], vol 17, p 242.
5. G. Dimitrov, "Selected Articles and Speeches," Moscow, 1972, p 18.
6. "Oktyabr' i bolgarskiye internatsionalisty" [October and the Bulgarian Internationalists], Moscow, 1973, p 90.
7. "Sovetsko-bolgarskiye otnosheniya i svyazi," p 59.
8. G. Dimitrov, "Works," vol XI, p 19.
9. Ibid., p 368.
10. Ibid.
11. Todor Zhivkov, "Report of the BCP Central Committee to the 12th Party Congress and the Party's Future Objectives," Sofia, 1981, p 82.
12. G. Dimitrov, "Selected Works," vol 1, pp 439-440.
13. T. Zhivkov, "Selected Articles and Speeches," Moscow, 1981, p 116.
14. G. Dimitrov, "Selected Articles and Speeches," p 366.
15. Ibid.
16. G. Dimitrov, "Selected Works," vol 1, p 440.
17. G. Dimitrov, "Selected Articles and Speeches," p 306.
18. Ibid., p 31.
19. Ibid., p 98.
20. Ibid., p 196.

21. Ibid., p 364.
22. Ibid., p 404.
23. N. Ganchovskiy, "Georgiy Dimitrov, kakim ya yego videl i zapomnil" [Georgiy Dimitrov as I Knew and Remember Him], Moscow, 1979, p 309.
24. G. Dimitrov, "Selected Articles and Speeches," p 279.
25. N. Ganchovskiy, Op. cit., p 356.
26. Todor Zhivkov, "Report of the BCP Central Committee to the 12th Party Congress and the Party's Future Objectives," p 125.

COPYRIGHT: Izdatel'stvo "Pravda". "Mirovaya ekonomika i mezhdunarodnyye otnosheniya", 1982.

8588
CSO: 1816/9

THEORETICAL BASES, PRACTICAL EFFECTS OF REAGANOMICS EXAMINED

Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA in Russian No 6, Jun 82
(signed to press 28 May 82) pp 23-34

[Article by A. Anikin: "The Second Year of 'Reaganomics'"]

[Text] The state of the U.S. economy and Washington policy have a strong effect on the world capitalist economy as a whole and will be among the main factors determining the dates and forms of its emergence from the crisis it has been experiencing since 1980. The United States' ability to finance and supply the new round of the arms race into which the American Administration is drawing its own country and is striving to draw its bloc partners will depend largely on production growth rates. Finally, a special conservative variety of state-monopoly economic regulation, which has been given the name "Reaganomics," is now being tested in the United States. The results of this experiment will largely decide the fate of not only the Reagan Administration but also the future of the bourgeois conservative ideology lying at the basis of its activity.

The State of the Economy

The economic results of the Republican Administration's first year in office and the prospects for the second year are not good (see Table 1). After a brief period of lively activity at the end of 1980 and the beginning of 1981, a new recession in the U.S. economy became apparent around the middle of last year. In essence, this was the second phase of a cyclical crisis that began at the end of 1979. As a result, indicators of real GNP and industrial production were in a state of stagnation for the third year and apparently will not exceed the 1979 level in 1982. Given the rising total number of ablebodied persons and a slight rise in labor productivity, the stagnant economy is bringing about the considerable growth of unemployment. In spring 1982 more than 9 percent of the total labor force was unemployed. This was a postwar record. The percentage of unemployed heads of families and middle-aged men is rising. Unemployment is particularly high among youth and ethnic minorities.

Unprecedented high interest rates are one of the important elements of the crisis developing under the conditions of "Reaganomics." The prime rate of commercial banks exceeded 20 percent per annum at the beginning of 1981 and again in the third quarter, held fast at 17 percent in the first quarter of 1982 and did not display any clear tendency toward reduction. The rising cost of credit is

complicating the economy's emergence from the crisis. It is largely due to the influence of this factor that housing construction, which depends so strongly on interest rates, is experiencing a protracted slump. Capital investments in this area have decreased 4 years in a row. Such leading branches as metallurgy and the automotive industry are severely underloaded. Corporate profits have decreased perceptibly and some of the largest firms are suffering losses. In the first quarter of 1982 the industrial stock index was 15 percent lower than it had been during the same period of the previous year.

Table 1

Basic U.S. Economic Indicators (%)

<u>Indicators</u>	<u>1979</u>	<u>1980</u>	<u>1981¹</u>	<u>1982²</u>
Real change in GNP	3.2	- 0.2	1.9	- 1.0
Change in industrial production index	4.4	- 3.6	2.7	- 4.0
Change in gross capital investments in private sector (in real terms)	3.1	- 7.1	0.1	- 2.0
Percentage of unemployed in total labor force (average for year)	5.8	7.1	7.6	9.2
Rise in consumer price index	11.3	13.5	10.4	8.0
Federal budget deficit (billions of dollars) ³	14.8	61.2	61.6	100.0
Correlation of deficit to GNP	0.6	2.3	2.1	3.5
Bank prime interest rate	12.7	15.3	18.9	17.0

1. Preliminary data; 2. Author's estimates; 3. National statistics for calendar year.

Source: "Economic Report of the President, 1982," Washington, 1982.

Some branches are developing with relative success, however, just as they have in all previous postwar crises. In addition to corporations directly connected with work on defense contracts, they include such science-intensive branches as electronics, the production of computer, communication and medical equipment, the pharmaceutical and biological industry and several subbranches of machine building and the food industry.

The slight drop in the rate of price increases in 1981-1982, from which Reagan and his advisers are trying to derive a maximum propaganda impact, reflects the influence of a variety of factors, with the administration's economic policy occupying only one of the last places among them. The main reason is the low level of market activity in the United States and the world capitalist market. In particular, world oil prices tended to drop slightly in 1981-1982, while they had risen almost continuously until the end of 1980.

Reagan's economic program was never intended to combat crisis. It appears that its authors arrogantly ignored such phenomena as cyclical economic development. For this reason, the administration's position with regard to the crisis and unemployment has been decidedly passive. What is more, the administration's

actions are diminishing the impact of the "built-in stabilizers" that might have slightly reduced the burden of crisis. Whereas in 1975 around two-thirds of the unemployed were receiving compensation, now it is being paid to only around 40 percent, and the maximum period for the payment of compensation has been reduced from 65 weeks to 39.¹

American commentators often draw alarming parallels with the administration of Herbert Hoover, who was in office at the time of the severe crisis of 1929-1933. As we know, the right wing of the Republican Party played the leading role in the Hoover Administration, just as in the Reagan Administration, and instituted a conservative line in domestic socioeconomic policy. According to American historians and economists, this line did much to exacerbate the crisis.

Economic policy in the United States is now the subject of a debate which is essentially being conducted according to the following pattern. The administration and its supporters maintain that the present recession is totally unconnected with Reagan's accurate policy and is a coincidence. The President's report on the budget of 8 February 1982 says: "The elimination of budget and credit excesses came too late to prevent an undesirable and unpleasant but nonetheless temporary business slump."²

The administration's opponents and critics said that Reagan's program is faulty and is intensifying crisis tendencies. The position of the second group was strengthened by the deteriorating state of the economy during the first months of 1982. Whereas it had originally consisted primarily of the President's political opponents, now "Reaganomics" is being criticized pointedly by groups who supported him and, in the absence of an acceptable alternative, are still supporting him. In particular, this applies to the business community. Declining profits and stocks are impelling it to take a more critical stand. In the beginning of March 1982, for example, a statement was published by the Business Roundtable, an organization uniting the heads of the largest corporations. It expressed disappointment with the administration's economic policy, particularly with those elements that are leading to large budget deficits and high interest rates. It is indicative that one of the business leaders' recommendations concerned the limitation of military spending. This is something new in the business community because it has always given its unconditional support to plans for higher military expenditures.³

Objective Prerequisites of Administration Program

Reagan and the Republican Party right wing took charge after winning a landslide victory in the 1980 election. Reagan was able to make use of voter dissatisfaction with the state of the economy and administration economic policy in the 1970's to his own advantage. His socioeconomic program, with the ultimate aim of consolidating the power of monopoly capital, is of a conservative bourgeois nature and was drawn up with a view to the feelings prevailing among the bourgeoisie and middle strata. These influential and politically active segments of society want the government to reduce taxes, as well as the social budget expenditures and other such expenditures financed by taxes, and put an end to "double-digit inflation," which occurs when the annual increase in prices exceeds 10 percent. High taxes and inflation are regarded as the reason for lower incentives to save and

invest money, lower levels of labor productivity, the stagnation of several key branches of the U.S. economy and the loss of important trade and economic positions to foreign competitors.

Certain changes have taken place in the U.S. federal budget in the last decade: Social security expenditures and grants to local governments to finance social programs rose more quickly than total budget expenditures. As a result, the correlation of so-called social budget expenditures to the GNP reached 12 percent in 1980, as compared to 8 percent in 1970.⁴ Besides this, there was also an increase in social expenditures financed by state and local governments. This led to a gradual rise in the number of programs providing the population with a variety of services. Reagan used this to attack the state's "philanthropic" activity. With a fairly large dose of demagogery, he placed the thesis of real and imaginary government waste at the center of his campaign platform. Besides this, ever since the 1930's the development of the system of state economic regulation had been engendering an entire network of agencies with a huge bureaucratic staff producing a massive amount of "paperwork." According to the bourgeois strata supporting Reagan, much of this work was superfluous and often only inhibited private business, restricted its initiative and freedom of action, etc.

These changes in the thinking of large and influential strata were naturally reflected in American economic thought, which, in turn, provided "Reaganomics" with a theoretical basis. In the late 1970's and early 1980's so-called "supply-side economics" became fashionable. This was an attempt to shift the emphasis in economic sciences and policy from a concern with sufficient demand, which was characteristic of the Keynesian theory that had been the prevailing one throughout the postwar period, to the problem of production efficiency, the creation of financial resources for capital investments in production and so forth. Within the framework of this theory, the central objectives of economic policy are higher nationwide accumulation norms (they are much lower in the United States than in other industrially developed capitalist countries) and business incentives. This policy naturally requires the reduction of social expenditures and benefits, which can increase consumption, and stronger incentives for the well-to-do and rich, from whom savings and capital investments can be expected.

"Supply-side" economics" is an attempt at the ideological validation of measures to stimulate private capital by means of lower taxes and less regulation. On the level of academic science, the basis of "Reaganomics" is monetarism.⁵ The monetarists' main thesis is that strict control over the total amount of money in circulation and its slow and steady augmentation represent a necessary and sufficient condition for successful crisis-free economic growth. The monetarists propose the abandonment of the main instrument of economic regulation to which the supporters of Keynesian theory attach primary significance--that is, the flexible use of the state budget to ensure the necessary level of effective demand. The monetarists deny the state's ability to reach an acceptable compromise between unemployment and inflation by means of a flexible economic policy.

A common feature of "supply-side economics" and monetarism is the attempt to limit state intervention and rely on spontaneous forces in the capitalist market. The administration's most important policy-planning document, the economic report

of the President (February 1982), reflects this "economic philosophy" in its basic aspects. It also lists general principles, such as the reduction of paternalism and state "philanthropy"; the reduction of administrative regulation and the augmentation of the market mechanism's role; the expansion of the economic functions of state and local government with a simultaneous limitation of federal government functions; emphasis on long-range economic goals and less intervention with short-range goals.

In reference to some focal aspects of economic policy, the report says: "Although the stabilization of the economy is one of the federal government's important duties, the limits of this kind of action must be realized. This administration believes that the 'fine tuning' of the economy, in which the government tries to compensate for any fluctuations, is not possible." "The slow and constant growth of the total amount of money in circulation is one of the...main elements of the administration's program of economic recovery."⁶

No matter what kind of intricate verbal formulas are used to camouflage the ideas of "Reaganomics," the essence of the matter is fairly clear: A sick economy must be cured with bitter medicine, and the unavoidable treatment in the next few years will be a relatively high level of unemployment and cuts in state social expenditures and services. As we know, this kind of economic policy has been conducted for several years now by the Conservative government in Great Britain, which is backed up by social forces similar to those supporting the present occupant of the White House. Nevertheless, Reagan and his advisers are not disturbed by the fact that "short-range" losses and sacrifices are still increasing in Great Britain and are not producing the long-awaited gains.

'Reaganomics' in Action

The first months of the Reagan Administration were marked by extensive legislative initiatives. Reagan came to his office on the wave of mass dissatisfaction with the state of the nation and recognition of the need for change. The scales of his election victory and the existence of bipartisan support in a number of major areas stimulated his activity and guaranteed the successful passage of his principal proposals through Congress. A favorable set of circumstances in the first 7 or 8 months of his term made the rapid acceptance of his program possible. Besides this, the Reagan Administration made use of its executive prerogatives and its influence on the policy of Federal Reserve System administrators to put this program in practice.

The main elements of Reagan's program are the following:

1. A considerable increase in military expenditures. It must be said that part of this increase was already planned by the Carter Administration. However, the Reagan Administration sharply augmented the rate of increase by starting more and more new military programs. According to government estimates, real military expenditures (in constant prices) will rise by an average of 9 percent a year between 1981 and 1987 and their share of the gross national product will rise from 5.6 percent to 7.8 percent. Actually, this share could be even greater if GNP growth rates fall below projected figures. Furthermore, expenditures on

military research and the purchase of weapon systems will increase even more--an average of 16 percent a year in constant prices, which exceeds the rate of increase during the buildup of military strength in connection with the war in Vietnam. The number of armed forces personnel is to be increased by 9-10 percent over a period of 5 years.⁸

2. Cuts in income taxes. At first Reagan proposed equal cuts of 10 percent a year in all tax rates for 3 years. Congress approved a slightly "watered-down" version of the bill, in accordance with which taxes would be cut by 5 percent on 1 October 1981, 10 percent on 1 July 1982, and another 8 percent on 1 July 1983 (for a total of around 23 percent below the original level). Sharper cuts were planned for maximum income tax rates and the tax on capital gains on property (actually, on stock gains).

The present tax cut, which is intended to provide stronger incentives for savings and investments, and not to revive consumer demand, benefits the highest population strata rather than the lowest one. J. Galbraith had the following to say about this in a NEW YORK TIMES article: "There is no doubt that the Reagan Administration came to the White House with considerable obligations to the rich. This was followed by the promise and then the legalization of a sharp tax cut with perceptible benefits for this group of individuals." The Economic Recovery Tax Act of 1981 envisages the adjustment of taxable income levels to fit the cost of living from 1985 on, so that a nominal (inflationary) increase in income will not put people in a higher tax bracket. Besides this, tax benefits have been expanded for people who put their savings in individual retirement accounts. All of these measures are intended to stimulate savings, which should eventually raise the national accumulation norm. The tax reform has a tendency to make taxation less progressive--that is, there is not so much difference between rates for successive income brackets. This tendency has been validated by conservative ideological grounds: It has been declared that "a progressive income tax encourages immediate consumption and inhibits savings for the future."⁹

3. Cuts in corporate taxes and the reduction of minimum depreciation terms for all types of fixed capital. The latter allows firms to write off the value of buildings and equipment as production costs more quickly, which leads to the relative reduction of recorded profits and the taxes on them. Firms have more opportunity to use tax privileges for new capital investments. These measures are also fully in the interest of the rich and the well-to-do and enterprise owners and major shareholders. The economic aim is the maximum stimulation of business, particularly capital investments in modernization and new equipment. Although the United States already had one of the most beneficial tax and depreciation systems in the capitalist world, new benefits are now being offered, and most of them are also aimed at augmenting American industry's competitive potential in the world market.

4. Extensive cuts in budget social expenditures. The programs that have been cut include compensation for unemployment and disability, allocations for vocational training and medical assistance, government-financed student loans, the subsidization of the postal service and public transportation, etc. The very content of this list proves that the cuts will affect only the lowest strata of American

society, people with low incomes and low educational levels, non-whites, etc. These measures are dictated by a strictly conservative bourgeois ideology reminiscent of the days and ideas of Hoover: The less "charity" the state provides, the harder people will work, and, what is more, for lower wages. There has also been a relative, and in some cases an absolute, decrease in federal budget expenditures on scientific research in non-military fields, environmental protection and so forth.

The draft budget for fiscal 1983 envisages an increase of 100.4 billion dollars, or 15.2 percent, in total expenditures in comparison to actual 1981 expenditures. However, cuts in funds for education, vocational training and so forth will total 9.8 billion dollars, or 31.4 percent, cuts in food assistance for the poor will amount to 2.1 billion dollars (15 percent), cuts in natural resources and environmental protection will total 3.6 billion dollars (26.7 percent) and so forth.¹⁰ Most of these cuts, which will also extend over subsequent years, are being made in accordance with the law passed in 1981. The 1983 draft submitted in February 1982, however, contains new cuts which are still subject to congressional approval.

5. A tough credit and monetary policy on the part of the Federal Reserve System, with the moderate growth of the money mass as the chief guideline. As one of the successes of this policy, the economic report of the President notes that the money mass (cash and checks deposited, the so-called M-1 group) increased by only 4.9 percent between the fourth quarter of 1980 and the fourth quarter of 1981, as compared to an increase of 7.3 percent the previous year.¹¹ This growth rate was much lower than the growth rate of the GNP in current prices. The main purpose of this policy is the reduction of actual inflation (the rise in prices) and inflationary expectations, which are thought to lie at the basis of the high interest rates. As for the level of these rates, it depends on the market, and the present high level has been declared natural. The reduction of interest rates has been postponed indefinitely.

6. Reduced state economic regulation (so-called deregulation). These measures, which are being conducted under the popular flag of the limitation of bureaucracy, are actually benefiting large corporations, which now have broader scope for operations and are free of some types of burdensome and costly regulation. Some of the President's first moves were the cancellation of price controls on American oil and the dissolution of the central Council on Wage and Price Stability. The principles of regulation are being revised in several spheres for the maximum replacement of administrative measures with economic levers. A presidential executive order of 17 February 1981 obligated federal agencies to substantiate each proposed regulatory measure with a special analysis, employing result and cost comparison methods. A special group for the review of regulations was set up under the supervision of the vice president. In 1981 it reviewed 100 rules and standards and recommended the cancellation or revision of more than a third.¹² (The following figures illustrate a fairly odd result of the deregulation: The February-October 1980 "Federal Register," the official handbook of government documents, consisted of 63,119 pages, but the one for the same period of 1981 was only 41,914 pages long.)

All of these measures (along with several less significant ones) make up a specific system of conservative economic strategy. The bourgeoisie has always favored free competition (*laissez faire*) and the minimization of state intervention in the economy. It accepted Roosevelt's New Deal and the dramatic expansion of government economic functions only as a "necessary evil" during the severe economic crisis of the 1930's, when the existence of the very system of capitalism was threatened. Dissatisfaction with several facets of state intervention and regulation gradually accumulated, however. The failures in this sphere in the 1970's aroused the bourgeoisie's desire to return to "orthodoxy," to traditional state and economic relations.

Obviously, history does not repeat itself, but the developing framework of state-monopoly capitalism allows for certain fluctuations and variations, as experience has shown. "Reaganomics" is one such specific variation.

It is indicative that some leading U.S. economists have taken an extremely skeptical approach to it. The winner of the Nobel Prize for economics, J. Tobin, made an ironic statement about the pretensions of government economists regarding a "new era" in economic policy and predicted that government intervention would not actually be reduced over the long range.¹³

Some of the important areas in which changes connected with administration economic policy took place in 1981-1982 were corporate mergers and the enforcement of anti-trust legislation. Although this legislation has never been a serious obstacle to monopolization processes in the corporate structure, it could complicate the merger of large firms and the growth of their economic power to some degree. The new administration has set forth the principles of the enforcement of antitrust laws in such general terms that they virtually permit any kind of merger. Merging firms can now argue that they are striving not to strengthen a monopoly, but to enhance economic efficiency, improve management and so forth.

As a result, there was an unprecedented number of mergers, including some involving large and major corporations, in 1981, and reports of the plans and intentions of corporations in this area indicate the further intensification of this process. According to available estimates, American corporations spent around 80 billion dollars on the acquisition of previously independent firms in 1981.¹⁴ A prominent place among them is occupied by corporations with access to crude resources. In a number of cases the absorption of firms has been facilitated by the prevailing low trading values in the stock market last year. Several mergers involved the giants of American industry. Standard Oil of Ohio merged with Kennecot--the largest copper producer in the country. The most massive transaction in terms of financial scales occurred when the Du Pont de Nemours Chemical Corporation acquired the controlling stock in Conoco, an oil company which also has large coal mines. A lengthy battle was fought for control over Marathon Oil, the controlling stock of which was ultimately taken over by United States Steel, the well-known metallurgical concern. The wave of mergers also engulfed credit and finance institutions, especially savings and loans associations, which have been experiencing considerable financial difficulty under the conditions of recession and fierce competition.

Foreign Economic Problems

Although the U.S. economy has become more dependent on foreign markets and on the situation in the world economy in recent decades, it is still incomparably less dependent on these than the economies of other large capitalist countries. This is why Reagan's economic program largely ignores foreign economic problems. It is true that the American Administration issued a special "Statement on U.S. Trade Policy" in July 1981. Reagan also explained the U.S. position in several of his speeches. But all of these statements essentially boil down to a simple thesis: What is good for the United States is good for its partners. Other countries will benefit from the success of "Reaganomics." In the sphere of international economic relations the United States has not put forth any new initiatives and has simply repeated traditional doctrine: the advantages of the market over state intervention, the reciprocal benefits of free trade, etc.

It must be said that Reagan's economic program as a whole met with the approval of ruling circles in Western Europe and Japan. The response of the government of Great Britain, which had begun to carry out this kind of program even earlier, was particularly enthusiastic. Other countries also hoped that after the United States had lowered the rate of inflation and achieved steady economic growth, it would serve as a "locomotive" and would take the economies of other countries along with it.

The main factors which changed this opinion and exacerbated conflicts between the United States and its chief partners in 1981-1982 have been the increasing severity of the recession in Western Europe (and, to some degree, in Japan) and the first failures of "Reaganomics," particularly the maintenance of high interest rates in the United States. It became apparent that the United States was pulling the economies of its partners downward instead of upward. The dissatisfaction and anxiety of Western European leaders, especially in France and the FRG, were displayed a number of times, particularly when U.S. economic policy and interest rates were the main topics of discussion at the Ottawa meeting of the "big seven" in July 1981. The following statement by FRG Chancellor H. Schmidt proves how seriously these problems are being taken in Western Europe: "Europe is in greater danger than the Americans realize. The foundations of its economy and society are being threatened by the most severe depression since the middle of the 1930's. I am worried about economic and social, and consequently political, disorder."¹⁵ Commenting on this uncommonly pointed warning, TIME magazine remarked: "President Reagan expects the tax cut to stimulate new savings, which will help to finance American (budget--A. A.) deficits, but the Europeans regard his extraordinary policy as a game of chance which could touch off a global depression."¹⁶

The extensive development of economic and financial ties in recent decades has made the capitalist economies intensely interdependent. The difference in interest rates in the United States' favor, which came into being in 1981, channeled short-term capital into dollar assets and raised the exchange rate of the dollar. According to U.S. balance of payments statistics, the increase in foreign assets amounted to 15.7 billion dollars in the second quarter of 1981 and another 20.9 billion in the third quarter.

The exchange rate of the dollar rose significantly in relation to all other currencies and the average rate in U.S. trade with other countries rose 24 percent between the fourth quarter of 1980 and the third quarter of 1981. One of the results for the Western European countries and Japan was the higher cost of raw materials, especially oil, the price of which is set in dollars in the world market. The economists have pointed out, however, that the crisis of 1974-1975 and the crisis that began at the end of 1979 occurred immediately after sharp increases in the prices of energy resources.

Although the United States' partners are blaming it for the protracted lengthy of the crisis, the deterioration of the state of the American economy has also stimulated a search for culprits outside the country. Japan is usually the primary suspect. The deficit in U.S. trade with this country reached 16 billion dollars in 1981, or more than 40 percent of its total trade deficit. A deficit of around 20 billion is expected in 1982.

Another problem is the mass penetration of the American market by goods produced with cheap labor in Singapore, South Korea, Taiwan, Hong Kong and several other countries and territories. In February 1982, 12 senators introduced a bill recommending measures against states that had no displayed enough "reciprocity" in trade with the United States. The administration's position on the matter was described as the following by U.S. NEWS AND WORLD REPORT: "The Reagan Administration does not formally approve of the idea of reciprocity, but it intends to use the threat of this legislation to exert pressure on other countries and force them to lower their barriers."¹⁷

Problems in the economic relations between the main capitalist countries are being exacerbated by the uncertainty of short-term prospects for economic growth. For the third year in a row the real growth rate has been close to zero in the United States and in the European Economic Community, which has already given rise to mass unemployment. In Japan the average rate of GNP growth in recent years has been only one-third as high as during the 1960's and unemployment is a serious problem for the first time since the war. This is why economists and politicians are looking with hope and anxiety to the United States. The reply they invariably receive is that Reagan's economic strategy is intended for the long range and its results must be waited for patiently.

Contradictions of Economic Strategy

The strategy of "Reaganomics" is based on traditional bourgeois optimistic ideology and on faith in internal spontaneous forces for growth and the unlimited adaptability of capitalism. Specific economic measures are also based on these general ideological principles.

It was on this basis that the U.S. economy was to be delivered from stagflation, which became its main illness in the 1970's. It was declared fundamentally wrong to fight against inflation by means of increased unemployment or to reduce unemployment by means of the inflationary stimulation of demand. The center of gravity is being shifted to long-range factors of economic development.

The move to this strategy was facilitated by the bankruptcy of previous methods of regulation and the failure of the legislated "plans" for the reduction of inflation and unemployment. In 1978 the Humphrey-Hawkins Act was passed after long debates. It obligated the government to reduce the percentage of unemployed in the labor force and the rate of inflation to acceptable levels within the foreseeable future. By the time of the 1980 election it was completely obvious that this goal would not be attained. Taking advantage of the Carter Administration's inability to offer the nation any kind of consistent economic platform for even the partial or deferred resolution of this problem, Reagan and his "team" put forth their own alternative. Although the Humphrey-Hawkins Act is still formally in effect, not much is being said about it.

The tax cut lying at the basis of Reagan's strategy is thought of as a strong stimulus, which will reveal the internal resources of the economy and sources of stable and balanced growth. There will be a significant increase in savings in the private sector, which will provide additional funds for capital investments. These investments will be stimulated by significant depreciation tax benefits. In itself, the augmentation of capital investments and labor productivity will be an important anti-inflationary factor. Besides this, the limitation of budget expenditure growth by means of cuts in social programs and some other types of spending is expected to reduce inflation. Finally, the Federal Reserve System is supposed to weaken monetary factors of inflation by means of a restrictive credit and money policy.

Reagan promised to simultaneously achieve the considerable acceleration of economic growth while reducing unemployment, lowering the rate of inflation to acceptable levels (5-6 percent a year), balance the budget and cut taxes. Critics in the United States, including many prominent economists (P. Samuelson, J. Galbraith, G. Ackley and others), pointed out the weaknesses of this strategy from the very beginning. Its supporters replied that all of these weaknesses would be corrected by the intense increase in economic activity, which they expected to begin in 1981.

Instead, however, there was a recession--or, more precisely, the second wave of the cyclical crisis that began in late 1979 and early 1980. Under these conditions, the contradictions and weaknesses inherent in the strategy of "Reaganomics" were fully revealed.

The simultaneous augmentation of military expenditures and reduction of taxes at a time of economic recession, when tax revenues are already reduced, gave rise to large budget deficits. Economic policymakers had to change their tune and alleged, contrary to the Republican Party official line and their own recent statements, that these deficits do not mean much and could even be useful at a time of economic recession.

Deficits of hundreds of billions of dollars in the next few fiscal years (1982, 1983, 1984 and perhaps even afterward) will signify the failure of the administration's anti-inflation policy. It would have to constantly be the largest borrower in the market for loan capital, usurping the limited resources of this market. Under these conditions, the reduction of interest rates, which is considered to be an essential condition for economic recovery, will become even more difficult.

This is the reason for the dissatisfaction and alarm with which the public responded in February 1982 to the American budget, which officially envisages deficits in these amounts.

The Federal Reserve System is also in a difficult position. To compensate to some extent for the inflationary effect of the deficit, it has to conduct an extremely restrictive credit and money policy. The FRS leadership has announced--and with the administration's full support--that moderation will undermine all of the efforts to reduce inflation, will reinforce the inflationary mentality and will make the reduction of interest rates impossible.

While the interminable discussions and debates over these matters are going on, the presence of almost 10 million unemployed individuals has become a serious economic and social problem. The number continued to rise in the first half of 1982. Actual unemployment figures are even higher because, according to reliable estimates, there are at least 1.2 million people who have given up looking for jobs and are not registered as unemployed, and another 5.6 million who have had to accept part-time work. Citing these figures, an influential magazine reported: "The exceptionally high rate of unemployment is carrying the wave of crisis throughout the country, causing millions of Americans to suffer deprivations, injuring the economies of entire regions, increasing government deficits and undermining Reagan's public support."¹⁸

The defeat suffered by the Democratic Party and the confusion within its ranks helped Reagan in the beginning and strengthened its position in the Congress. Even at best, this favorable situation for the President could not last long. The considerable deterioration of economic conditions, however, caused Reagan and his administration to quickly lose the support they originally had. In a public opinion poll in December 1981, 67 percent of the respondents said that they had been personally affected by the recession. Among workers the figure was even higher--74 percent. It is true that many continue to blame the previous administration for the economic difficulties.¹⁹

Subsequent events, however, promoted mass disillusionment, even in relatively privileged strata, with Reagan and "Reaganomics." The relatively rapid consolidation of Democratic forces took place in the beginning of 1982 and unusually early preparations were made for the 1984 presidential election. In connection with this, U.S. NEWS AND WORLD REPORT remarked: "Democratic Party strategists are convinced that the crisis-ridden economy and the troubles abroad will weaken Reagan's position if he makes a bid for re-election. If, on the other hand, he should decide not to enter the race 2 years from now, his opponents are convinced that any other Republican candidate will be an even easier target."²⁰

One possible Democratic contendour, Walter Mondale, who was Carter's vice president, has drawn up an alternative economic program with the following points: 1) a return to the more flexible maneuvering of taxes for anticyclical purposes; 2) the slower growth of military spending; 3) a more constructive FRS policy aimed at lowering interest rates as quickly as possible. In essence, this would mean the renunciation of "Reaganomics," which, as we have seen, includes the rapid growth of military spending, tax measures unconnected with cyclical phases and a restrictive credit and money policy, regardless of its effect on interest rates.

Reagan's economic policy has been pointedly criticized by the AFL-CIO executive committee. The leaders of this labor association have proposed changes in economic policy, including a more restrictive approach to military spending and to their financing by means of budget deficits.

The number and volume of dissatisfied voices are rising in the Republican ranks. On the threshold of the 1982 elections, when the entire House of Representatives and one-third of the Senate will be re-elected, Republican congressmen do not want to take the blame for the failure of Reagan's policy.

Criticism of Reagan's domestic policy is now being linked more closely with criticism of his militaristic and dangerous foreign policy line. Public opinion polls conducted in March and April 1982 testify to the President's declining popularity.

The crisis of 1980-1982 has injured American society greatly. The question of whether it has reached "bottom" is still open. Some of its consequences will be long-lived, however. This is particularly true of the mass unemployment, much of which had already become permanent.

FOOTNOTES

1. NEWSWEEK, 18 January 1982, p 26.
2. "Budget of the United States Government. Fiscal Year 1983," Washington, 1982, p M-11.
3. FINANCIAL TIMES, 5 March 1982.
4. "Economic Report of the President, 1982," Tables B-76, B-1.
5. For a more detailed discussion, see "New Processes in Bourgeois Political Economy (Critical Analysis)" (MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA, No 12, 1981, pp 88-103).
6. "Economic Report of the President, 1982," pp 36-63.
7. Further analysis is presented with a view to the fact that the measures taken by the administration in 1981 have been elucidated in Yu. Chizhov's article "Where Ronald Reagan's Program Is Leading the American Economy." (MIROVAYA EKONOMIKA I NEZHDUNARODNYYE OTNOSHENIYA, 1982, No 2).
8. "Economic Report of the President, 1982," pp 85-87.
9. Ibid., p 121.
10. Calculated according to: "Budget of the United States Government, Fiscal Year 1983."
11. Economic Report of the President, 1982," p 206.

12. Ibid., pp 141-142.
13. U.S. NEWS AND WORLD REPORT, 1 February 1982, pp 46-47.
14. TIME, 28 December 1981, p 59.
15. Ibid., 1 March 1982, p 49.
16. Ibid., p 50.
17. U.S. NEWS AND WORLD REPORT, 1 March 1982, p 58.
18. Ibid., 15 March 1982, p 71.
19. TIME, 28 December 1981, p 47.
20. U.S. NEWS AND WORLD REPORT, 1 March 1982, p 21.

COPYRIGHT: Izdatel'stvo "Pravda". "Mirovaya ekonomika i mezhdunarodnyye otnosheniya", 1982.

8588
CSO: 1816/9

AFRICAN DEMANDS FOR NEW INTERNATIONAL ECONOMIC ORDER ENDORSED

Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA in Russian No 6, Jun 82
(signed to press 28 May 82) pp 49-62

[Article by L. Goncharov: "Africa in the Struggle for a New International Economic Order"]

[Text] The main purpose of the anti-imperialist struggle in Africa at the present time is the prevention of the neocolonial expansion of Western powers and the correction of the liberated states' inferior position in the world capitalist market. The attainment of these goals is being associated more and more with the struggle for a new international economic order, which the African countries are waging in conjunction with the Asian and Latin American states.

I

The struggle for a new international economic order is of particular importance to the African states. It is on this continent that 21 of the 31 least developed countries in the world are located. Furthermore, some of them do not have access to the sea and must bear the additional burden of intracontinental expenses. Besides this, most of the African states are having to pay more for imported petroleum products, which is necessitating cuts in programs for economic and social development. It is true that the African countries have made a serious attempt to develop their national economy and reduce its dependence on imperialism in the last two decades. The crisis in the world capitalist economy in the mid-1970's, however, had an extremely negative effect on economic growth in these countries, disrupting the existing economic mechanism, depreciating aid and credit and bringing about an unfavorable change in the ratio of export revenues to import expenditures.

Negative phenomena in the African economies became even more pronounced when the wave of protectionism and restrictive business practices rose again in the developed capitalist countries. This is dealing new blows to the young national economies of the African countries. The short-term price gains of the first half of the 1970's were nullified in subsequent years by the declining prices of raw materials and the rising prices of imported industrial commodities.

The rate of GDP growth in the developing African countries was 4.8 percent between 1960 and 1980. This average indicator conceals pronounced fluctuations in various groups of countries--from 7 percent in the oil-exporting countries to 2.9 percent

in the least developed states.¹ In the 1970's the GDP in the African oil-exporting countries increased by an average of 8.1 percent a year, while this growth rate barely kept up with the rate of population growth in 26 countries with a per capita annual income of under 200 dollars. In countries with an annual per capita income of under 100 dollars the situation was even worse: GDP growth (in constant prices) in the 1970-1979 period fell below the rate of population growth in 6 of these 9 years² (some data on GDP growth rates in these countries are presented in Table 1).

Table 1

Rates of GDP in Developing African Countries (%)

<u>Countries</u>	GDP			
	<u>1971</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>
All developing African countries	5.9	5.4	4.8	5.0
Main oil-exporting countries	7.2	7.9	5.5	7.1
Countries which do not export oil	5.4	4.1	4.4	3.8
Countries with a per capita GDP of under 100 dollars	4.9	2.6	2.3	2.3
Countries with a per capita GDP of:				
100 to 200 dollars	5.4	4.8	4.3	2.9
200 to 300 dollars	5.2	5.9	5.1	5.0
300 to 400 dollars	4.6	3.0	6.3	4.4

Source: "Survey of Economic and Social Conditions in Africa, 1979-1980," Pt I, p 33.

Foreign monopolies are still exploiting the continent in the production sphere, which is made possible primarily by their large capital investments in various branches of the African economy. Direct foreign investments in the developing African countries totaled 11 billion dollars by the end of the 1970's³ and this figure represents only their book value. Their market value, reflecting their increased profitability, is much higher. Furthermore, the total profits taken out of these countries by foreign companies far exceed new direct investments. Between 1970 and 1978, for example, new foreign direct capital investments in the developing African countries totaled (book value) 4.3 billion dollars, while the profits taken out of these countries during this period totaled 15.9 billion.⁴ The example of direct U.S. investments abroad shows that the most profitable in 1980 were investments in the liberated African states, where the profit norm was 37.8 percent, as compared to 22.2 percent in the developing countries as a whole and 15.7 percent in the developed capitalist states (see Table 2).

In addition to this, the financial dependence of the African countries on the imperialist powers is growing stronger. Western economic aid is being used mainly to repay old debts, and sometimes there is not even enough aid to cover payments for private investments. According to IBRD data, more than one-third of the financial resources received by the developing African countries in the form of loans and subsidies must be used for the repayment of debts and the payment of interest. In 1979, for example, loans and subsidies received by young states

south of the Sahara totaled 9.2 billion dollars, but the payment of debts and interest took 3 billion. In other words, the net funds received amounted to only 6.2 billion dollars.⁵ The African countries spend an average of 14-15 percent of their export revenues on the repayment of debts. In a number of states (Mauritania, Togo, Guinea and Algeria) this indicator is 20 percent or higher.⁶

Table 2

Profits on U.S. Direct Investments in Various Groups of Countries
(Billions of Dollars)

Groups	1980			
	Total	Mining and	Processing	Metallurgical
		Industry		Petroleum
Developed capitalist countries				
I. Direct investments	157.1	4.5	34.2	71.4
II. Profits	24.6	1.0	8.6	8.6
III. Profit norm, %	15.7	22.2	25.1	12.0
Developing countries				
I. Direct investments	52.7	2.0	-	17.7
II. Profits	11.7	0.4	4.1	2.7
III. Profit norm, %	22.2	20.0	-	15.3
Developing African countries				
I. Direct investments	3.7	0.5	2.2	0.4
II. Profits	1.4	-	1.2	0.1
III. Profit norm, %	37.8	-	54.5	25.0

Calculated according to: SURVEY OF CURRENT BUSINESS, Washington, August 1981, pp 31, 32, 37, 38.

Africa's food dependence has also grown stronger: It was once an exporter of foodstuffs but now it imports them. The continent's technological dependence is growing stronger as modern branches of the economy develop.

The developing African countries associate their hope of overcoming economic underdevelopment, accelerating economic development and reducing their dependence on imperialist monopolies with the institution of domestic reforms and the reorganization of world economic relations. It is noteworthy that the first demands for a new international economic order (NIEO) were made at the fourth conference of the nonaligned countries, held in Algeria (1973). At subsequent gatherings of this type, as well as when the Arusha program of the "group of 77" was being drafted, the position of African representatives played an important role in the formulation of the specific demands in the NIEO program.

In general, the African countries have taken a progressive, anti-imperialist stand on the need to reorganize international economic relations. At the same time, each country's position is marked by distinctive features. Kenya, for example, wants a new international economic order but is also striving to ensure a large

flow of capital from the Western powers, Japan, the Arab East and international organizations into the country. Senegal believes that the reorganization of world economic ties should be based on a system of international division of labor in which the developing countries will be able to process raw materials as well as exporting them and will have stable export revenues. At the fifth UNCTAD session in Manila (May-June 1979), Senegal supported the demands for a general fund for the stabilization of raw material prices and the reduction or cancellation of the debts of the least developed countries.

The African states' direct interest in a new international economic order has been repeatedly announced by their leaders. For example, when President D. Ratsiraka of the Democratic Republic of Madagascar spoke at the conference of heads of state and government of the nonaligned countries in Havana, he called the struggle for the NIEO a "new revolution" being fought to win "the right to develop." Furthermore, he stressed the fact that the socialist countries are not to blame for the present unjust and inequitable economic system. In fact, if the socialist countries did not exist, imperialism would have taken command of the "third world" long ago and would have divided it up.

In discussions of problems connected with the reorganization of international economic relations, African representatives direct attention to the problem of foreign capital and relations with multinational corporations. The African countries are known to be greatly dependent on foreign capital and have invested certain hopes in the use of foreign capital investments for development purposes. By the middle of the 1970's, however, the course of economic development proved that partnership with foreign capital restricts economic independence and does not raise the public standard of living.

II

The negligible progress in the compliance with demands for a new international economic order, the discrepancy between loudly advertised declarations and reality and the continuing deterioration of economic conditions have motivated the developing African countries to focus their attention on the resolution of their problems "from inside," to first change economic conditions in each individual country and on the continent as a whole and to work out their own regional strategy of development, based on the concepts of "collective self-reliance."

This "autocentric" approach is advocated by African statesmen and public spokesmen as well as by economists. Executive Secretary A. Adedeji of the UN Economic Commission for Africa (ECA) said in this connection: "The new international system of economic relations must begin at home, in Africa, on the national, multinational and regional levels. In other words, the foundation of any new international system of economic relations must be a new national economic order⁷ in each African country and a subregional and African regional economic order."

When the strategy for African development in the 1980's was being worked out, many statesmen and researchers on the continent pointed out the fact that development based on foreign capital and aid from the developed capitalist states has produced extremely limited results in the African countries. The problem is that the international monopolies operating in these countries are impeding the progressive

reorganization of their socioeconomic structure. Foreign capital has also had a negative effect on the establishment of import-replacing production units, which can only function with the aid of protectionist tariffs, whether this production is meant for export, since the country does not have access to the most important elements of technological progress, or when multinational corporations participate in the extraction of raw materials which are processed outside national boundaries.

The strategy for African development in the 1980's is set forth in the documents of the 14th and 15th ECA sessions and the "Monrovia Declaration of the Obligations of OAU Heads of State and Government Regarding the Basic Directions and Measures for National and Collective Self-Sufficiency in Socioeconomic Development for the Purpose of Establishing a New International Economic Order" (July 1979). In particular, the declaration stipulates the need to create conditions which will allow the OAU countries to revise their own programs for economic and social development for rapid advances in the socioeconomic spheres and the establishment of a solid inter-African base of development and economic growth on the basis of "collective self-reliance." Besides this, it advises greater concern for the training of national personnel, the fight against illiteracy and the use of science and technology to strengthen the economic independence of the African states. The declaration also states that it is important and necessary to encourage economic integration on the national, subregional and regional levels, which should pave the way for the creation of an African common market and, later, an African economic community.

The Monrovia Declaration is the fundamental document setting forth the development goals stipulated in the plan of action approved at a summit-level economic conference (Lagos, April 1980). The Lagos plan reflects dissatisfaction with the results of UNCTAD discussions of problems in the reorganization of international economic relations and the lack of progress in the implementation of earlier resolutions. In a certain sense, the plan of action adopted by the African states could be called a reaction to the West's negative stand on the NIEO program proposed by the developing countries.

It is interesting that the strategy for African development in the 1980's does not envisage the nationalization of foreign capital as the most radical way of conducting an independent economic policy. It also does not recommend any specific ways of establishing effective national control over the activities of multinational corporations. The African countries have declared the importance of "balancing" their approach with the attraction of multinational corporations and the "maximization" of the advantages of this attraction. They have demanded, however, that certain limits and rules of behavior be set for international monopolies. The measures needed to attain these goals are specified in the UN-drafted code of multinational corporate behavior. When the provisions of this code were discussed at a conference of the African countries, convened by the ECA in 1977, the principles of supervision of the activities of foreign monopolies were defined.

These principles stipulate that multinational corporations must respect the sovereignty of the host country over its natural resources, observe local laws, consider economic goals and plans for development, show respect for national traditions,

train national personnel and promote the improvement of the balance of payments. At the same time, foreign companies are not supposed to interfere in the internal affairs of their host countries. In particular, they are ordered not to take part in political coups, exert pressure on African states or involve their own governments in conflicts and disputes with the governments of host countries. International monopolies are forbidden to resort to bribery to ensure the advantageous distribution of profits. They cannot compete with local companies in the acquisition of capital for the expansion of their activity in the country. The multinational corporations are also forbidden to break the tax laws in the host countries or falsify their reports. The transmission of technology must not be made conditional upon the purchase of equipment, spare parts or materials from the company transmitting the technology.

Therefore, the development strategy is aimed at limiting the unrestricted dominion to which foreign companies grew accustomed during the colonial era. The investment codes operating in many African countries also list specific conditions which must be met by the activity of a foreign enterprise which wants, for example, to obtain tax privileges. In Benin, Ivory Coast, Gabon, Egypt, Zaire, Cameroon, Kenya, Libya, Mauritania, Senegal and Tunisia these conditions include the following: The extensive use of local resources and manpower, participation in the diversification of the economy and the development of outlying regions, and the training of national personnel. The investment codes of some states stipulate that investments must result in a better balance of payments (Benin, Zaire and Tunisia) or the transfer of modern equipment and technology to the country (Benin, Gabon, Ghana, Cameroon and Tunisia). One condition for the entry of foreign capital is the Africanization of administrative and technical personnel (Algeria, Benin, Ivory Coast, Gabon, Ghana, Egypt, Kenya, Nigeria and Tunisia). As a result, the activities of foreign companies are regulated in specific ways and this represents a definite move toward the reorganization of the economic relations of states on this continent with the developed capitalist countries.

The African strategy for development in the 1980's and the struggle of the African countries for a new international economic order both reflect their desire for economic independence. In comparison to earlier attempts to formulate means and methods of solving economic problems within the framework of the struggle for the NIEO, the strategy for African development in the 1980's has a number of new features: the principle of "self-reliance," the acknowledgment of the need for some social reforms and the emphasis on collective action by the developing countries in response to collective forms of neocolonialism. In addition to this, the African countries have not only assigned priority to the use of internal resources, assigning foreign aid and capital an auxiliary role, but are also planning the gradual replacement of other external factors with the development of their own (including food, personnel, technology, etc.). The states of this continent regard the establishment of a new international economic order as the main external condition for the implementation of the African development strategy.

III

A common feature of the Western powers' feelings about the NIEO program is the desire to deny or minimize the principal demands of the developing countries. The compliance with these demands has been most vigorously opposed by the United

States, usually acting in conjunction with its closest allies. Representatives of the imperialist states often support the resolutions of international conferences on the NIEO verbally but actually take every opportunity to inhibit their implementation. An example of this tactic can be seen in the attitude of the Western powers toward the decisions of UNCTAD-IV on the integrated program for raw materials and on the creation of a general fund for the stabilization of commercial reserves.

In addition to employing the tactic of procrastination, the imperialist states have even resorted to direct confrontations with the developing countries whenever they feel that these countries have gone too far in their demands. This was precisely the position occupied by representatives of the developed capitalist countries with regard to the Arusha program of the "group of 77." The obstructionist tactics of the leading Western powers kept the fifth session of UNCTAD from making any constructive decisions on a number of important matters, including the problems of eradicating protectionism and discrimination in world trade, establishing international control over multinational corporate activity, increasing financial aid to the developing countries on preferential terms and several others.

The Western powers also took a rigid stand on the developing countries' demands for UN-supervised global talks, which were supposed to cover the main aspects of the NIEO in such areas as trade and development, raw materials, power engineering and currency and financial relations. The leading capitalist countries have proposed that the discussion of these matters be transferred to international organizations like the IBRD, IMF and GATT, where they are known to occupy a superior position. The meeting of the heads of state and government of 8 developed capitalist countries and 14 developing states in Cancun on 22-23 October 1981 did not result in any further decisions on these talks. In his speech in Cancun, President Reagan insisted that global talks must be conducted not only in the United Nations, but also and simultaneously on the bilateral basis, with regional groups and in specialized international organizations. Reagan made special mention of the fact that the decisions made by such organizations are final; in other words, they are not subject to review by the UN General Assembly. Commenting on the speech made by the head of the White House Administration at this meeting, American journalist A. Riding noted: "The question of which international organization will supervise these talks is an extremely important one. In the United Nations, where the 'one nation--one vote' rule is in effect, the industrially developed countries are in the minority, whereas in specialized organizations, where voting rights depend on financial contributions, the United States and other Western powers can dictate their wishes."⁸

Reagan's proposals were coolly received by representatives from the developing countries, and President J. Portillo of Mexico pointedly criticized the international financial and trade organizations which, in his words, have intensified dissatisfaction and disillusionment and have gradually turned into forums for the discussion of the ideas of countries which dictate their own will during the voting procedure.

The imperialist circles opposing the developing countries' demands feel that their most important task is to disallow "extra-market" methods of regulating Western economic relations with the developing countries. In other words, they are

essentially striving to maintain the dominant position of multinational corporations in the system of economic ties between developed capitalist and developing countries.

At the same time, now that conflicts between the liberated states and imperialism are growing more acute, more attention is being paid in the policy of the developed capitalist countries and in studies by Western bourgeois ideologists to the search for solutions that might serve as an alternative to the consistent and democratic reorganization of international economic relations and will allow the world capitalist system to adapt to the changing situation. This search for solutions has been reflected in the concept of "interdependence."

The views of liberal bourgeois ideologists of the NIEO have become popular with supporters of the concept of "interdependence." These views lie at the basis of the report compiled at the request of the Club of Rome by a group of researchers under the general supervision of J. Tinbergen.⁹ The authors of the report express many valid opinions about the dangers of the arms race, environmental pollution, the depletion of non-renewable crude resources, waste and other inherent defects of the capitalist social system. This is the positive side of the report. At the same time, it does not recommend any ways of correcting the domination of international economic relations by multinational corporations or of accomplishing the radical reorganization of these relations on a democratic basis.

Several statements in the report are intended to substantiate the need to safeguard the interests of foreign entrepreneurs in the developing countries. The interpretation of state sovereignty in the report is supposed to serve as a legal basis for the future transfer of some of the economic functions of national government, including control over the status of multinational corporations and the taxation of their profits, to supra-national organs. In an attempt to justify this approach, the authors write: "Participation and public control presuppose a functional, rather than territorial, interpretation of sovereignty, and demand jurisdiction over specific goals rather than geographic territories. Theoretically, this kind of interpretation allows for the gradual internationalization and collectivization of all world resources, both material and non-material, on the basis of the assumption that they are the 'common heritage of mankind.'" The authors frankly admit that their recommendations presuppose "the voluntary relinquishment of state sovereignty in its present interpretation."¹⁰

In the sphere of industry, the authors of the report suggest that the developing countries assign priority to the production of goods required for the satisfaction of "basic human needs," the processing of local materials and the expansion of exports of finished products to the developing countries. The latter, in turn, should lower or even eliminate tariff and non-tariff barriers and encourage the transfer of production factors "to new, more effective areas, such as science-intensive branches and the service sphere."¹¹ This approach to international division of labor is typical of supporters of the neocolonial variety of interdependence: the implementation of the proposals in the Tinbergen report will result in the deeper integration of developing countries in the world capitalist economic system.

There are also other aspects and features of the report which cannot in any way satisfy those who are struggling for the reorganization of international economic relations on a just and democratic basis. In essence, the report recommends the creation of the new international economic order within the capitalist framework after some of its anachronistic features have been updated.

Social reformists are giving more attention to the issues connected with the NIEO. The report by the Independent Commission on International Development, headed by famous politician and public spokesman Willy Brandt, chairman of the SPD and the Socialist International, is important in this connection.¹²

The commission decided to determine ways of continuing the "North-South" dialogue, work out an international strategy for the third Decade of Development and propose ways of correcting the underdevelopment of the developing states and solving several other global problems of the present day. In particular, the report stresses that the "North" must allocate much larger funds for the needs of the developing countries than in the past. At the same time, by including the socialist states in the "North," the authors of the report try to assign it part of the responsibility borne by colonialism for the present difficult position of the newly independent countries. Furthermore, they say nothing about the colossal amount of economic, scientific and technical assistance the socialist community has given to the developing countries or the Soviet proposals in the United Nations with regard to the annual reduction of military budgets and the use of part of the funds thus made available for aid to the former colonies and semicolonies.

The authors of the report propose the "mass transfer" of resources from the "North" to the "South," for which purpose they recommend, in particular, the mobilization of additional financial sums, secured by IMF gold reserves, to be offered to the developing countries in the form of loans, as well as the sale of part of the gold reserves in order to subsidize the repayment of development loans. They also propose a rise in the ratio of loan capital to IBRD-underwritten capital from 1:1 to 2:1, which will increase loan capital to 160 billion dollars and total capital to 240 billion.¹³ They suggest that the influx of outside resources should be replaced by a favorable investment climate for foreign capital in the liberated states and guarantee Western access to raw materials. Therefore, the commission's recommendations would broaden the scales of private capital exports to developing countries through the channel of international financial institutes.

The authors of the report express anxiety with regard to the increasing difficulties and crises developments in the economies of the developed capitalist countries and frankly state that the latter have an objective interest in correcting the underdevelopment of the "South." "We are becoming more aware that the quicker development of the South is in the interests of the North." They later admit that "the poor cannot make any progress in a world economy marked by uncertainty, confusion and low growth rates."¹⁴ These ideas and opinions make the Brandt Commission's report quite different from Tinbergen's work. While the authors of the Club of Rome report believe that the gap between the developmental levels of the liberated and highly developed countries can be reduced by slower rates of economic growth in the West, the Brandt Commission stresses that this

slow development could inhibit progress in the young states even more. Nevertheless, as prominent English expert on international development T. Hailey correctly noted, "the Brandt Commission report is chiefly aimed less at saving the world poor than at saving the capitalist world. The report makes no attempt to explain why the poverty in the third world, which it finds so distressing, exists at all. If this attempt had been made, the authors of the report might have come to the amazing conclusion that this poverty stems precisely from the economic and political system which their proposals are supposed to save."¹⁵

African researchers have expressed differing views, ranging from positive to extremely negative, on the Brandt Commission report and the concept of "interdependence" in general. The negative views have been clearly expressed in the works of S. Amin, who believes that the Brandt Commission report is based on the false theory of "interdependence, viewed as a synonym for the common interests of partners." In his opinion, the report presumes that this "universal interdependence" is being threatened and must be saved, that the existing world capitalist system must be preserved and that "various national societies must find a place within it and pursue their development within the framework of the global development of the entire system."¹⁶

A report prepared for the Club of Rome by a member of its board of directors, M. Guernier, considers the question of the NIEO from a different vantage point than Tinbergen and the Brandt Commission. The author suggests that the newly liberated states cannot overcome their underdevelopment within the framework of the world capitalist economy. The developing countries, in his opinion, are so isolated from the developed ones (both capitalist and socialist) and their past socioeconomic development has been so distinctive that it would be wrong to prescribe them various ways of overcoming underdevelopment that are based on the experience of the developed states and universally accepted yardsticks for the comparison of development levels. He believes that the "unique structures" in the developing countries should not be adapted to the achievements of contemporary technical progress but, on the contrary, the latter should be adapted to the "unique conditions" of the liberated states.

He pointedly criticizes the policy of aid to developing countries because it promotes vertical ties between former colonies and former mother countries and interferes with the organization of the regional cooperation that is so necessary to the African, Asian and Latin American states. "The policy of aid," M. Guernier writes, "established artificial ties with industrial countries--ties of indisputable value because they helped in the resolution of some problems, but pernicious over the long range because real solutions lie beyond their limits."¹⁷

Among the factors inhibiting the correction of economic underdevelopment in the developing world, M. Guernier mentions its fragmentation, "fragmented into 114 states or 114 micronationalisms," and "economic liberalism"--that is, the system based on competition in which the strongest is the winner. According to the author, the effect of these negative factors can be neutralized by the creation of large communities of developing countries, within the framework of which their reciprocal free trade will be conducted but "under protection from attack by the world's strongest, and the third world countries will continue their trade relations and cooperation with other world communities on the basis of treaties and agreements."¹⁸

It is precisely in the creation of a number of communities (for example, five communities of developed countries and five of developing states) that M. Guernier sees the key to the resolution of global development problems. Only then, he says, "can the establishment of a new international order, based on relations between communities, relations between equals, be discussed."¹⁹

On the whole, Guernier's work is of definite interest as another attempt to propose solutions to the burning problems facing the developing countries. At the same time, when the author formulates his conclusions and proposals, he essentially ignores the social basis of contradictions in the present system of international economic relations, as a result of which the newly independent countries are caught in the clutches of underdevelopment and poverty. Accordingly, his specific recommendations (particularly regarding the creation of 10 communities) are isolated from the socioeconomic and political conditions in which the struggle for a change in existing economic relations is being waged. Guernier also ignores the fundamental difference between the aid offered by the socialist community to the developing countries and imperialist "aid." Finally, the author does not consider the socialist alternative. His proposed method of reorganizing the international economic order by means of the creation of regional communities therefore suffers from a lack of realism and rests on wishes that are unconnected with reality.

IV

The demands for a new international economic order reflect an objective requirement of the development of world productive forces, which is being disrupted and deformed by the inferior position of the developing countries in the system of world capitalist economic ties. Certain circles in the West with an interest in trade and economic ties with former colonies and semicolonies are advocating the eradication of obvious anachronisms in this system. However, they want to confine the reorganization of capitalist international economic relations to partial reforms, which will leave the main levers of control in their own hands. This is why proposals regarding the reorganization of these relations on a truly democratic basis are being resisted by the imperialist powers. They associate the NIEO with the task of "lifting" the former colonies and semicolonies only to a level of development which will be consistent with the increasing ability of monopolistic capital to exploit these countries, will allow for the expansion of their markets, will increase the purchasing power of their population within specific limits and will thereby help the imperialist powers solve problems stemming from the state of economic crisis in the capitalist world. To some degree, this approach to the new international economic order was reflected in the neocolonial variety of the concept of interdependence.

Continuing to exploit the developing countries, the imperialist powers are using their technological monopoly within the world capitalist economy more and more vigorously. Many liberated states, however, are trying to counter this monopoly with their own "natural" monopoly, which is now allowing them to receive a larger income from the West's exploitation of their natural resources.

The developing countries want to reorganize their economic relations with the developed capitalist states not on an "equivalent" market basis, but on a basis which will compensate for the obvious inequality of their economic strength. They

are striving to insert certain elements of stability and non-discriminatory regulation in the world capitalist economy. These principles, according to the developing countries, must become the foundation of the new international economic relations and guarantee these countries accelerated economic and social development.

The developing countries demands call for the reorganization of international economic relations on a just and democratic basis, promoting the overall improvement of the international situation. At the same time, we believe that it is necessary to consider not only the effects of the NIEO program on economic ties between countries, but also the depth and breadth of the changes it will bring to people--that is, the social significance of these changes.

The conventional interpretation of the NIEO stresses economic relations between states, and the demands for the reorganization of these relations pertain primarily to the exchange and distribution relations that took shape during the colonial era and are being used by neocolonialism against the interests of the developing countries. The correction of the latter's inferior status in the world capitalist economy should be regarded as an important step toward progress. At the same time, it would obviously be only the first step in the struggle for the establishment of a new economic order in the world (and not only in international economic relations).

Obviously, the scientific interpretation of the world economic order should encompass not only economic relations between states--that is, relations mainly in the sphere of circulation--but also property relations within each country and the group of internal economic procedures, stemming from production relations, which take shape within national economies. In other words, the reorganization of the world economic order presupposes the elimination of inequality and exploitation on the level of international and national relations.²⁰ The struggle for the NIEO will only acquire its proper proportions when it evolves, as the necessary conditions mature, into a struggle against the basis of imperialist exploitation and against capitalist ownership.

In the African countries with a socialist orientation this struggle has already begun. Its first result is the cessation of the concentration of property within the hands of local capitalists and the embourgeoised feudal nobility. The most important objective in these countries is the establishment of public and state property, the creation of the necessary conditions for its dominant position and the gradual elimination of exploitation. This objective is confirmed in the policy-planning documents of ruling revolutionary democratic parties and in the socioeconomic reforms carried out under their supervision. This applies primarily to such states as Ethiopia, Mozambique, Algeria, the People's Republic of the Congo, the People's Revolutionary Republic of Guinea and some others.

When agricultural reforms are carried out in these countries, with a clearly defined social class purpose, the nature of agrarian relations undergoes a radical change. Agrarian policy in Algeria is aimed at limiting large private farming while preserving small and medium-sized farms and at the extensive development of production cooperatives in the interests of the laboring peasantry. The nationalization of the land has been carried out in the Congo, Mozambique, Angola and Ethiopia.

In all of the African countries with a socialist orientation, the activities of private entrepreneurs are under strict state control. Furthermore, the offensive against the positions of foreign capital is acquiring a clear anti-imperialist content. The nationalization of the property of foreign companies is being carried out on a broad scale in the most important branches of the economy. As for the national private capitalist sector, it is being maintained in all of these countries, but the scales and spheres of its activity have been limited considerably.

These measures are of an anticapitalist nature in the countries with a socialist orientation and reflect the prospect of the elimination of all forms of exploitation and inequality on the national level.

In liberal bourgeois and social reformist interpretations, as we have seen, the establishment of the NIEO must be confined to the revision of international economic relations and the modification of outdated exchange and distribution relations within the framework of the capitalist system. Furthermore, the methods employed will be characteristic of this system. In our opinion, however, the elimination of obvious anachronisms from the practice of international economic relations should be only the first stage in the struggle for a new world economic order, the establishment of which, inevitable in the future, will be connected with the neutralization of the negative effect of the capitalist method of production on international economic relations.

The measures that are now being disputed (the creation of stabilizing funds, compensation for declining export revenues, etc.) are only palliatives and are not sufficient for the rapid correction of economic underdevelopment, regardless of how important they may be to developing countries whose economies are based on raw material exports.

This certainly does not mean that some improvement in international economic relations cannot be accomplished at the present time. The transformation of socialism into a decisive factor of world development, the collapse of the colonial system and the larger role played by the developing countries in international affairs afford "the possibility of the more or less significant restriction of imperialist, neocolonial exploitation even before the capitalist order has been liquidated in the main centers of imperialism."²¹

Of course, this will require a more energetic struggle for the reorganization of international economic relations, which is mainly being opposed by the multinational corporations. As pointed out above, the latter's profits are growing in both absolute and relative terms--that is, in comparison to invested capital. The establishment of national control by many developing countries over sources of raw materials, the raising of oil prices by the OPEC countries and some other measures to limit the scales of exploitation by foreign capital have not been enough to seriously undermine the organizational and financial strength of its striking force--the multinational corporations, which are resorting to new forms and methods of expansion in order to retain their influence. The success of the struggle against these corporations will depend on the continued unification of the efforts of developing countries with progressive, democratic, antimonopolistic forces throughout the world, particularly the socialist states and the laboring public in the industrially developed capitalist countries. The latter is

particularly important because monopolistic propaganda is spreading the false thesis that the satisfaction of the developing countries' demands would supposedly lower the standard of living in the developed capitalist states.

At present, the struggle of the developing countries for the NIEO is marked by an anti-imperialist, democratic content, but it is not anticapitalist as yet. The statement of the Soviet Government "On the Reorganization of International Economic Relations" stresses that "the just demands of the developing countries on the broader transmission of resources to them for the correction of their under-development must be financed primarily by the profits of capitalist monopolies and the non-productive expenditures on the arms race started by imperialism."²² The developing countries are being drawn more and more into this race. This is not only diverting part of their own resources from productive use for development purposes, but is also giving rise to intergovernmental armed conflicts in the developing world.

According to some estimates, worldwide military expenditures totaled around 500 billion dollars in 1980.²³ And this is occurring at a time when more than half a billion people in the world do not have enough to eat, a billion and a half lack the necessary medical assistance, around 800 million adults are illiterate and a quarter of a billion school-age children have no educational opportunities! There is no doubt that the universal limitation of arms will not only make significant amounts of resources in the developed states available and create the possibility of using part of these resources to assist the developing countries, but would also allow the latter to avoid the growth of their own expenditures on weapons and thereby reduce their dependence on foreign aid.

Therefore, the struggle for a new international economic order is a multifaceted process, presupposing a broad group of actions for the general improvement of international relations, and not only measures of an economic, commercial or financial nature. Under present conditions, this struggle has been complicated by the aggressive foreign policy line of the United States and its NATO allies and their escalation of international tension and the arms race. The difficulties that were encountered even earlier by progressive forces in the world in the struggle for the reorganization of world economic ties have become even more acute. In spite of the disillusionment with the results of the many international forums where various questions connected with the NIEO were discussed, however, this struggle has not ceased. Its success will depend largely on the unity of the developing countries and on the reinforcement of their economic and political cooperation with the socialist states. In the accountability report of the CPSU Central Committee to the 26th Party Congress, L. I. Brezhnev stressed: "The reorganization of international economic relations on a democratic basis and the principles of equality is a historically determined process. Much can and should be done in this area."

FOOTNOTES

1. "The Lagos Plan of Action for the Implementation of the Monrovia Strategy for Economic Development in Africa," Lagos, 1980, p 5 (Organization of African Unity).

2. "Survey of Economic and Social Conditions in Africa, 1979-1980," Pt I, pp 32-34.
3. Calculated according to: "OECD. Development Cooperation 1980," Paris, 1980, p 165.
4. Calculated according to: "Handbook of International Trade and Development Statistics," Geneva, 1980, pp 220-236.
5. "World Bank. Annual Report 1981," Washington, 1981, p 142.
6. Ibid., pp 137-139.
7. "Statement by Professor Adebayo Adedeji at the Formal Opening of the Symposium on African Perspectives on the New International Economic Order, Held at Economic Commission for Africa, 5-9 May," pp 8-9.
8. THE NEW YORK TIMES, 25 October 1981.
9. Jan Tinbergen, "The Revision of the International Order," Moscow, 1980.
10. Ibid., pp 111-113.
11. Ibid., p 294.
12. "North-South: A Program for Survival. The Report of the Independent Commission on International Development," issued under the chairmanship of Willy Brandt, London, 1980 (for more about the Brandt Commission report, see MIROVAYA EKONOMIKA Y MEZHDUNARODNYYE OTNOSHENIYA, No 10, 1980, pp 44-57).
13. Ibid., pp 274, 291.
14. Ibid., pp 20, 270.
15. NEW AFRICAN, March 1981, p 9.
16. See, for example, AFRIQUE ET DEVELOPEMENT, No 3, 1980, p 6.
17. M. Guernier, "Tiers-monde: trois quarts du monde," Paris, 1980, p 40.
18. Ibid., pp 42, 43.
19. Ibid., p 136.
20. As we know, K. Marx described international relations as "secondary and tertiary, wholly derivative and transferred, not primary production relations" (K. Marx and F. Engels, "Works," Vol 12, p 735). Marx' statement applies completely to the international economic relations whose reorganization is referred to in the demands of the developing countries for the establishment of the NIEO.

21. PROBLEMY MIRA I SOTSIALIZMA, No 5, 1979, p 26.
22. "The Reorganization of International Economic Relations," statement by the Soviet Government (PRAVDA, 5 October 1976).
23. "World Armaments and Disarmament. SIPRI Yearbook 1981," Stockholm, 1981, p 147.

COPYRIGHT: Izdatel'stvo "Pravda". "Mirovaya ekonomika i mezhdunarodnyye otnosheniya", 1982.

8588
CSO: 1816/9

RISE OF MONETARISM AMONG WESTERN ECONOMISTS SURVEYED

Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA in Russian No 6, Jun 82
(signed to press 28 May 82) pp 74-90

[Article by V. Usoskin: "The Monetarist School in Bourgeois Political Economy:
Sources, Evolution, Perspectives"]

[Text] The fundamental ideas and concepts of bourgeois political economy are undergoing a severe crisis. The Keynesian doctrine, which dominated Western economic thought for many years, is being replaced by a group of reactionary conservative theories aimed at portraying capitalism as an effective and viable system.

With a view to the fact that these doctrines are being widely discussed in Western economic literature and have been actively employed in the engineering of economic policies in several capitalist countries, the editors of MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA will publish a series of articles criticizing these doctrines and revealing their ideological essence, socioeconomic nature and influence on economic policy in the main capitalist countries.

In the Vanguard of the 'New Conservatism'

Lately, it has become fashionable in the West to portray the history of economic thought as a struggle between successive scientific paradigms, or theoretical concepts, which "work" within a specific system of premises and assumptions and pretend to be an accurate explanation of the machinery of capitalist reproduction. The victory of an influential paradigm is now pompously called a "revolution" in economic theory (for example, the "marginalist revolution" of the late 19th century, the "Keynesian revolution" of the 1930's and so forth), and attempts to revive a previously dominant system of views by rewording its basic premises, analytical system and conclusions are called a "counterrevolution" (the "monetary counterrevolution" of the 1960's and 1970's).

These terminological tricks create the illusion of the consistent development of economic theory at times when it is actually marking time. The severe crises which bourgeois political economy has undergone in recent decades and the failures of

the widely publicized doctrines which were once called a "definitive" and "permanent" contribution to the system of economic knowledge are now acquiring the features of a "natural" process and something just short of a natural "succession of paradigms."

This is exactly how the Western press is portraying the "great dispute" between the main economic currents--neoclassic and Keynesian. After a long period of undivided rule, the Keynesian paradigm was succeeded in the 1960's and 1970's by the "neoclassical renaissance"--a kind of "counterrevolutionary denial" of the need for intense efforts by the state to make capitalism viable and dynamic. The ideas of "economic deregulation," cuts in state budget expenditures and the maximum stimulation of private initiative and competition became popular.

This attack has been led by the monetarist doctrine for a quarter of a century. Its supporters first made their presence known in the press in the 1950's under the rubric of the Chicago School.¹ The basic ideas of monetarism have been reflected most clearly in works by University of Chicago Professor Milton Friedman and his numerous students and followers (F. Kagan, K. Brunner, A. Meltzer, R. Selden, D. Fend, A. Schwartz and others). The monetarists' central thesis, their "trademark," is the slogan "Money matters." In contrast to Keynesian doctrine, in which, according to Friedman, money and monetary policy are "cut off" by several restrictive presumptions and the most important economic processes are described in "real" (non-monetary) terms, the monetarists assign money the central position in the economic mechanism and portray it as the deciding factor and mainspring of cyclical disruptions of economic activity.

These arguments against Keynesian views were chosen with good reason. Money is the most clearcut agent of market relations and a concentrated personification of spontaneous elements in the "competitive economy." The emphasis on monetary processes has made it possible to assign primary significance to the mechanism of market self-regulation and to oppose the idea that economic imbalances can be adjusted automatically by Keynesian "discretionary" methods of economic regulation. Empirical studies of the demand for surplus cash and the hypothesis of money's influence in the economic system, which were conducted by monetarists in the 1950's and 1960's, gave the doctrine an academic and objective appearance and helped to camouflage its reactionary essence. Official bourgeois science did not pay much attention to monetarist constructs at first, regarding the attacks on Keynesian precepts as unrealistic doctrinaire arguments. Most Western researchers viewed the recommendations of the Chicago School as a futile attempt to "set the clock back 40 years"² by refuting the main conclusions of Keynesian theory and to revive the neo-liberal principles of the pre-Keynesian period, which they found to be woefully inconsistent with the realities of the "post-industrial society." Faith in the dogma of neoclassic synthesis, in which Keynes' main macroeconomic conclusions were eclectically combined with elements of neoclassical microanalysis, was so great that a radical departure from it was considered to be simply unthinkable at that time. The words of American economist R. Solow accurately convey the atmosphere of the early 1960's. "According to the majority of economists," he wrote, "the short-term macroeconomic model is already well developed.... The basic outlines of the prevailing theory have not changed for many years. All that is left is the daily job of filling in the empty squares, which should not take more than 50 years of intense effort."³

Keynesian economists took credit for the absence of severe recessions in the 1960's, referring to the relatively lively market activity of that time as evidence of the beneficial effect of energetic government action to make full use of economic potential. Prominent American economists--G. Ackley, W. Heller and A. Okun--were prepared to shelve the very concept of the economic cycle, calling it outdated and inconsistent with the actual state of affairs in the capitalist world.⁴ It is understandable that monetarist ideas could not win any recognition in this atmosphere.

The situation changed radically in the 1970's. There was a return to reality from euphoria in state policy and "quick reactions" to changes in economic conditions. The critical production slumps and rise in commodity prices unprecedented in the postwar years, a rate of unemployment unparalleled since the time of the "Great Depression," the declining growth of labor productivity and the sluggish investment process all testified not only to the complete inaccuracy of the allegations about the "disappearance of the cycle" but also to the increasingly destabilizing impact of government measures. The Keynesian economic model became the subject of harsh criticism. The pendulum of public opinion swung to the other side, and conservative strata in the bourgeois society did not hesitate to make use of this opportunity to organize a powerful attack on the vital interests of the laboring public.

The monetarists headed this struggle, attempting to lay a "scientific basis" under the slogans of "deregulation" and the curtailment of state economic functions. In time, the scales of the "monetary controversy" grew considerably: After starting with extremely specific and seemingly ideologically neutral questions about the influence of money in the economic system, the arguments then encompassed several key aspects of macroeconomic theory, such as the stability of the commercial-capitalist economy, its "immunity" to cyclical fluctuations, the acceptable dimensions of the state sector and the effectiveness of basic policy instruments.

Other new currents in bourgeois political economy, based on neoclassic ideas about the functioning of the market mechanism and the impermissibility of an active state economic policy, allied themselves with monetarism in many areas. They include a unique offshoot of monetarism--the theory of rational expectations⁵ and supply-side economics. Although the arguments and some of the final conclusions of these doctrines differ, they have a common conservative ideological basis and a belief in the effectiveness of competition and pricing factors. It is no coincidence that some of the premises of these currents are now oddly intermingled in the economic programs of ruling circles in the United States, England and some other countries.

The influence of neoclassical doctrine and, above all, monetarism on the practical measures of government bodies grew as the popularity of traditional Keynesian methods of "controlling demand" suffered a rapid decline. Speaking at a symposium on money and credit policy, P. Samuelson said in 1969 that the doctrine of monetarism is "the central topic of discussion today in connection with the problems of macroeconomic theory."⁶ He refuted Friedman's basic claims and ended his speech with the words: "Money--yes, monetarism--no." But neither his statements nor the harsh attacks by such prominent authorities in the field of economic theory as J. Tobin, J. Hicks, N. Kaldor and F. Modigliani, could stop the spread of monetarist ideas.

At the beginning of the 1970's, N. Kaldor, a famous English economist and a zealous supporter of Keynes, wrote: "We are experiencing a 'monetarist' counterrevolution, which is alleging that all of us have been wrong up to now.... This new doctrine is being earnestly popularized from overseas by a rapidly growing group of adherents who combine the zeal of the early Christians with the punch of Madison Avenue. This doctrine is the fruit of the labor of one economist possessing exceptional persuasive powers--Professor Milton Friedman from Chicago.... The 'Friedmanites'...have been extremely successful both in terms of the number of prominent converts to the new faith and in terms of the quantity of impressive facts they can point to as 'scientific proof.'"⁷

The capitalist model of economic management has obviously proved ineffective and is the target of shattering criticism. In reference to the "first severe depression since the 1930's," accompanied by acute inflation, American "neoclassic" economists R. Lucas and T. Sargent wrote: "These events were not the result of a reactionary return to the outdated 'classic' methods of hard money and balanced budgets. On the contrary, they were accompanied by massive government budget deficits and considerable monetary expansion--that is, a policy which, although it held out the risk of inflation, seemed to promise, according to present-day Keynesian doctrine, the rapid growth of the real product and a low level of unemployment. It is now an established fact that these predictions were absolutely wrong and that the doctrine on which they were based has fundamental defects."⁸

In spite of the triumphant advance of monetarism, many economists suggested that the success of the doctrine might be transitional and temporary. It was not viable, the critics said, because the absence of a developed structural model and the reliance on general methods of bourgeois economic analysis would lead to the inevitable "extinction" of Friedman's doctrine and its absorption by the "mainstream" of neoclassical synthesis.⁹ There were definite grounds for these opinions and it was no coincidence that the theme of a "compromise" between the main camps of bourgeois political economy, their convergence and their interpenetration was apparent in Keynesian literature of the 1970's and in works by the leading theorists of monetarism.

Contrary to all expectations and pessimistic predictions, however, the monetarist doctrine not only survived and "saved face" but even consolidated its positions considerably. According to J. Tobin, one of the oldest and most consistent critics of monetarism, the supporters of this doctrine were able to "shift the center of gravity of all economic science in the direction of their own theory and methodology" by the beginning of the 1980's.¹⁰ He also mentioned a "second wave of monetarism, a second counterrevolution," which had "breathed new life" into the old orthodox variety of monetary doctrine, and was "even more reactionary"¹¹ than Friedman's original doctrine. This was the theory of "rational expectations," which was mentioned above and is now extremely popular in the West. Although it transcends the boundaries of monetarism and disagrees with it in some areas, it is making active use of its theoretical innovations and has the ultimate aim of proving the general neoclassical conclusions about the ineffectiveness and absurdity of energetic economic efforts by the state to regulate demand.

The monetarists, the "supply-siders" and the theorists of rational expectations are opposing the Keynesians in a united front. They are defending the renunciation

of the policy of activism and "quick reaction" to changing conditions, are demanding that a smaller share of the GNP be put at the government's disposal and are insisting on greater freedom for market factors and business initiative. It must be said that the appeals for "gradualism" in economic policy, for long-range guidelines, for price stability and for slower growth rates for money in circulation and other neoclassical recipes have recently become extremely popular in the majority of capitalist countries, and have been reflected in the general strategy and methods of state-monopoly regulation.

The monetarist camp is being joined by more practicing economists and researchers who do not formally subscribe to this current but do support many of its premises and recommendations and are thereby augmenting the influence of the doctrine.¹²

One of the most important "stimulators" of the spread of monetarism and other neoclassical concepts, however, has probably been the political victory of conservative forces in several capitalist countries at the end of the 1970's and the beginning of the 1980's. Wherever power has been assumed by rightist parties, which have long attacked the Keynesian emphasis on guaranteed high employment, the monetarist dogma has become an important element of the ruling administration's platform and has served as a guide in economic policymaking.

J. Tobin correctly describes the monetarist doctrine as "the main element of conservative ideology, or, in other words, 19th century liberalism." The present-day preachers of the philosophy of non-intervention ("laissez-faire"), he goes on to say, have negative feelings, regardless of the neoclassical branch to which they belong, about the performance of economic functions by the state, the redistribution of income and wealth, collective consumption and investment and budget deficits.¹³ It is at this point that monetarism is closely related to supply-side economics, which emphasizes the reduction of taxes and the cancellation of all restrictions on the activities of capitalist firms as the main prerequisites for higher rates of economic growth and the stimulation of productivity and initiative.

Monetarists were present at the birth of the current wave of conservatism, occupying the same position as such rightwing critics of Keynesianism as W. Hatt, H. Hazlitt and F. Hayek. As early as the 1940's, at the very start of his scientific career, M. Friedman advised the minimization of government economic activity and a definite change in the guidelines and methods of economic policy. Friedman's platform was most fully expressed in his work "Capitalism and Freedom," which has been put out in around 20 editions since that time.¹⁴ The author enthusiastically praises his ideals--"a system of private enterprise operating through a free market" (4). He complains that "freedom," as the ultimate goal of neoliberalism, has been sacrificed for the sake of "well-being and equality." "True liberals," Friedman says with regret, "those who favor a return to the ideals of 'freedom,' are now being called 'conservatives and reactionaries.'" He advises a return to the "doctrine of the free individual."

How does the author feel that this "return to freedom" should be accomplished? Above all, he says that the activities of the machinery of state must be reorganized. The state must only establish the "rules of the game" for capitalist enterprises and protect them against infringements, but it must not interfere with the functioning of the market (15, 27). All other government socioeconomic functions

should be resolutely curtailed. First of all, all forms of state regulations of business activity must be abolished, all types of price ceilings and controls must be cancelled (including price supports for farming products, rent control, etc.) and the minimum guaranteed wage must be abolished. According to Friedman's plan, it is time to do away with all programs of social and pension security, medical aid, low-income housing and other forms of aid to the poorest strata of the population. Therefore, this would essentially be the cancellation of the important reforms of Roosevelt's "New Deal" and an all-out attack on the achievements of the U.S. working class in the area of labor safety and social security.

The author's arguments are permeated by demagogery. He interprets all attempts to limit discrimination against blacks and members of other ethnic minorities in hiring practices as "a violation of the freedom of the individual to conclude voluntary agreements" (113) and calls desegregation in the schools "the restriction of the parents' right to choose a school at their own discretion." The problem of a monopoly in the business sphere is called "immaterial" due to the presence of many small enterprises (122), but the "monopoly of labor unions" is described as a widespread phenomenon deserving unconditional condemnation (132). Antitrust laws must be repealed, the author maintains, because they supposedly stimulate monopolistic tendencies, corporate taxes must be abolished and the tax rates on large incomes must be lowered (132-133).

Friedman's class sympathies are most clearly revealed, however, in the chapter entitled "Income Distribution." He criticizes the Marxist theory of surplus value, making the unsubstantiated allegation that the worker receives the full product of his labor and that the system of "free enterprise" lessens inequality. He does not take the trouble to substantiate any of his remarks, blaming his lack of proof on the "deceptive" nature of income distribution statistics (170).

Friedman played some part in kindling the "cold war." At the time when the policy of international detente was beginning to prevail in the world, Friedman supported reactionary circles in the West in their policy line of confrontation with the Soviet Union. In "Capitalism and Freedom," Friedman indicta the "collectivist" ambitions of the state and demands sharp cuts in budget expenditures and the curtailment of the overwhelming majority of economic, social and scientific programs ("from medical assistance for the aged to the study of the moon"), but he does make one exception: "The threat emanating from the Kremlin," he writes, "requires us to allocate a large portion of our resources for the purposes of military defense" (201-202).

Now the portrait of the "number-one monetarist" is nearing completion. In Friedman's world, big business is guaranteed freedom of action, but the laborers are totally disarmed and cannot resist capital's onslaught. Down with antitrust laws, corporate taxes and social programs! Long live racism and the arms race!

Friedman's philosophizing could be ignored if it did not express the widespread feelings of influential politicians, members of the business community and part of the middle and petty bourgeoisie. Members of the extreme right rode to power on the crest of the wave of these feelings in several countries, extolled the recommendations of the monetarists and made them the focal point of their economic programs. For example, just before the 1980 presidential election in the United States,

President Reagan's closest economic advisers included such major representatives of monetarism as M. Friedman, A. Schwartz (now a member of the federal gold commission), A. Meltzer, B. Sprinkel (later appointed under secretary of the treasury), J. Jordan (later a member of the President's Council of Economic Advisers) and others. If we add the conservative economists among his closest associates, (A. Greenspan and P. McCracken) and the supporters of "supply-side economics" who are closely related in spirit to the monetarists (D. Stockman--director of the Office of Management and Budget, A. Laffer--the President's economic assistant, and others), the picture will be fairly complete.

Here is another detail. In 1979 a book called "Free to Choose," by M. Friedman and R. Friedman, was published.¹⁵ The book represents an expanded version of "Capitalism and Freedom" with the addition of the transcripts of a series of programs prepared by M. Friedman for American television. The following remark by Ronald Reagan is cited on the book jacket: "This is a superior book.... It should be required reading for anyone with an interest in America's future--from the President of the United States to the average citizen." It is therefore not surprising that many of the measures taken by Reagan in the economic sphere have been borrowed directly from monetarist brochures: the cuts in federal budget expenditures at the expense of various social and economic programs with a simultaneous dramatic increase in military expenditures, primary emphasis on price stability with a simultaneous disregard for other objectives of economic development, particularly guaranteed high employment, the cancellation of restrictions on the activities of monopolies, tax measures benefiting big business, a "clamp-down" on money in circulation in accordance with the "Friedman rule" with a simultaneous disregard for the rise in interest rates, etc.

In the same way, the Thatcher government in England has consistently pursued a monetarist line in economic policy, ignoring the catastrophic consequences of deflationary measures for the economy and the population and disregarding the mounting opposition in the Conservative Party leadership and even in the Cabinet.

The viability of monetarist ideas stems from their emphasis on the interests of the grand bourgeoisie and the desire to undermine the positions of the working class and transfer the burden of inflation and recession to its shoulders.

Doctrine with a Thousand Faces

Although it expresses the general spirit of the philosophy of "free enterprise," as an economic theory monetarism does not constitute a monolithic entity. It is represented by a vast spectrum of diverse and sometimes contradictory versions, theoretical hypotheses, models and political recipes. They are united by a fanatical faith in the "extraordinary importance of money" in analyses of the market economy's functioning. Various factions of monetarists, however, are marked by considerable differences in their general approach, priorities and interpretations of many significant issues.

For example, in accordance with the dogma of quantitative theory, all monetarists reduce the "importance" of money (and, consequently, purchasing power and the monetary demand for commodities) merely to its influence on the commercial price level. Some of them, however, insist on the total "neutrality" of money, denying

the Keynesian thesis regarding monetary demand as the generator of real advances in the production process, while others consider this kind of stubborn disregard for the positive influence of money on economic conditions to be unrealistic. They admit that monetary stimuli have a definite, although short-term, effect on the "real" product, although they do underscore the potential destabilizing effect of money and credit policy as a result of variable and unpredictable lags. The problem of "dividing" the influence of money between prices and real production is the main point of divergence in the monetarist camp.

There is also no unanimity when it comes to methodological approaches and policy recommendations. Some economists (for example, Brunner and Meltzer) have pointedly criticized the analytical instruments of standard macroanalysis, while others (Friedman and Laidler) have, on the contrary, arrived at monetarist conclusions with the aid of such instruments as the Hicks-Hansen equilibrium model, the "adjusted" Phillips curve and others. There are even continuous disagreements over the interpretation of a number of special questions raised by the monetarists--the form and arguments of the function of the demand for money, the "transmitting" machinery of the influence of monetary stimuli and others.

Other reasons for the difficulty of analyzing the views of monetarists are their characteristic evasive and deliberately vague wording, their dislike for "details," their use of "abbreviated" equations, their constant "clarification" of their position and other ruses to obscure the actual purpose and conclusions of the doctrine. A statement made by one critic about the book by Friedman and Schwartz applies to most of the works of this school: Trying to pin down their exact meaning is just like trying to "nail jelly to the wall."

The monetarist doctrine has passed through several stages during the quarter-century of its existence. In the 1950's and 1960's its representatives concentrated on the existence of a stable function of the demand for surplus cash. For the monetarists this was of fundamental significance. In essence, they were trying to reword and update the neoclassical thesis about the fixed speed of monetary circulation, on which the most important premises of quantitative theory rested. In the first draft of the "Chicago School" doctrine (the term "monetarism" was suggested by K. Brunner later, in 1968), M. Friedman was already pointing out the hypothesis regarding the stability of the function of monetary demand as one of the most important distinctive features of the "quantitative theorist."¹⁶

The monetarists saw this "stability" as a reliable natural tendency reflecting the market behavior of economic agents. They set this natural tendency in opposition to Keynes' "psychological laws," particularly his law of consumption. The long debate over whose approach produced the best forecasting impact--the monetarists' stability of monetary velocity or the Keynesians' investment multiplier--is indicative in this connection.¹⁷

Disagreements broke out among the monetarists even during this stage. Friedman, using his own concept of "permanent income" as one argument in favor of the function of the demand for surplus money, tried to prove the "invulnerability" of demand to changes in market interest rates and to undermine, in this way, the Keynesian theory of liquidity preference, which violated quantity theory's traditional cause and effect relationship between money and price levels.¹⁸ Friedman's

position on this matter, however, was inconsistent with the facts. Under the conditions of the colossal development of capitalist credit, a strong system for the accumulation of savings, diversified markets for financial assets and so forth, the distinct boundary between "purely monetary" and "credit" circulation is erased and interest rates have a significant effect on the demand for surplus cash. This is why the majority of monetarists (A. Meltzer, D. Laidler and others) have acknowledged that the interest rate is an important variable.¹⁹

At that same time, M. Friedman and A. Schwartz published the monetary theory of industrial cycles, in which the main cause of fluctuations in market conditions are the chaotic "leaps" of the monetary aggregate, engendered by the erroneous policy of central banks. The extremely primitive methodology employed by the authors, which was based on comparisons of turning points in the dynamics of monetary aggregate and GNP statistics in current prices, confused even monetarists, not to mention Keynesian economists.²⁰

Friedman's lecture, "The Role of Monetary Policy" (1968), which had widespread repercussions in the bourgeois press, marked the beginning of a new stage in the development of the "monetary controversy."²¹ It criticized the popular neo-Keynesian concept regarding the existence of a stable, and reciprocal over the long range, connection between rates of inflation and levels of unemployment. This connection, which became known as the Phillips curve, was once described as a "history-making" discovery. In the 1960's it lay at the basis of economic policy recommendations in the United States and other OECD countries. The value of the Phillips curve to the government consisted in the fact that it promised an acceptable set of alternatives in an attempt to reconcile the most menacing symptoms of capitalist contradictions--the "overstimulation" of the economy, leading to acute inflation, and recession, leading to higher unemployment. This was the fundamental premise of programs of regulating measures, particularly the activist strategy of "fine tuning."

Friedman announced in his lecture that "compromise" was a myth, a statistical illusion. He stressed that inflationary expectations were an important factor modifying the behavior of economic agents at a time of rapid or chronic price increases and nullifying the efforts of the federal administration to stimulate economic growth. At the same time, after pointing out the superficial and unscientific nature of the Keynesian constructs, Friedman used this criticism to propagandize his own reactionary ideas about the futility of all anticyclical measures and the utopian nature of the slogan of high employment. For this purpose, he proposed the concept of the "natural" level of unemployment, which is allegedly strictly predetermined by a number of structural factors and necessarily dictates a balanced level of employment at any given time. Any government attempts to raise employment above this "iron-clad" limit would, according to Friedman, "accelerate" inflationary pressure without having any apparent long-range effect on the labor market. The "acceleration" doctrine, which was directed against labor unions and the policy of high employment, was quite successful in the 1970's among conservative economists. It justified the later fashionable policy of government inactivity in the face of impending crisis and mass unemployment.

This was also the purpose of the battle the monetarists waged for many years against "fiscalism"--that is, the policy of budget regulation according to Keynesian

recipes. Whereas in the 1950's and 1960's their arguments emphasized the unpredictability of the results of this policy due to delays (or lags) and to the extremely weak and rapidly disappearing influence of changes in the tax structure and government spending on the economy, they later focused attention on the tendency of this policy to "discourage" private (non-governmental) investments by diverting colossal national economic resources to the sphere of government operations. Whatever the economy gains from increased government investments, it loses as a result of decreased expenditures in the private capitalist sector. Once again, the rational grain of protest against the monstrous growth of government spending was drowned in essentially reactionary allegations that social programs for low-income strata were "wasteful" and uneconomical.

Questions of economic policy--its scales, methods and intensity--acquired particular significance in the 1970's. Under the conditions of stagflation, which proved the futility of activist methods, the entire system of state-monopoly regulation became suspect. The monetarists continued to head this struggle. It was no coincidence that the influence of financial measures on the U.S. economy was the main topic of discussion at a conference on monetarism, held at Brown University and attended by many prominent members of the academic community.²²

Most of the battles of recent years have been fought over aspects of theory that were the main theme of the Keynesian "revolution." To what degree is capitalism "stable"? Does private capitalist production have the potential to "realign" itself without government intervention? The experience of recent decades undermined the faith in the beneficial effect of governmental measures, and members of all neoclassical currents took advantage of this to straighten the tarnished halo of spontaneous market forces. The banner of "neoclassical counterrevolution" was taken up by the neoclassicists who were using the theory of "rational expectations" as a means of reviving the vulgar concepts regarding the permanent "self-clearing" properties of commercial markets and the total ineffectiveness of the government policy of stimulating economic growth. Many influential economists rightfully saw this current as a continuation of the monetarist line, its "second echelon."²³

This brief review of the historical peculiarities and stages of the monetarist doctrine's evolution testifies that there were considerable changes in subject matter, arguments and methods of analysis throughout this entire period. During the course of arguments, some issues dropped out of sight or were relegated to a position of secondary importance, and there was even some synthesis with Keynesian views. Friedman and his supporters have had much to say about "converging views" in recent years, about the absence of fundamental theoretical disagreements and so forth.²⁴ All of this makes it extremely difficult to identify monetarism as a separate school of bourgeois political economy.

English authors H. Vane and J. Thompson have stressed that "it would be impossible to list a set of premises common to all monetarists."²⁵ THE BANKER compared the monetarist school to the anarchic syndicalism of the late 19th century, which was distinguished by fragmentation and the existence of numerous offshoots and sects.²⁶

It is indicative that contemporary Western literature contains widely differing definitions of monetarism and descriptions of its main features and the lines of "demarcation" which separate this doctrine from others. M. Friedman lists 11

distinctive features of the doctrine, K. Brunner lists 4, T. Meyer lists 12, D. Laidler lists 6, D. Purvis lists 8, etc.

Friedman's recipe for the "monetarist cocktail," for example, lists the following ingredients: 1) quantitative theory leading to the monetary theory of economic cycles and to the "purely monetary" explanation of the causes of inflation; 2) a special mechanism to transmit the influence of money, not through the interest rate, as the Keynesians maintained, but directly through changes in the price level (the impact of real surplus cash); 3) statements about the ineffectiveness of government regulation, particularly over the long range; 4) the acceptance of the "monetary rule" or the "k-percent rule" (an annual increase of "k" percent in aggregate money in accordance with a long-range trend) as the guiding policy principle, and several other premises.²⁷

K. Brunner makes special mention of the "neoclassical" thesis of monetarism--recognition of the "peculiar stability" of the private economic sector, its ability to compensate for fluctuations engendered by "exogenous shocks" and imbalances connected with incorrect government policy.²⁸ D. Laidler mentions two other elements in addition to the features that are usually listed (quantitative theory and so forth)--"adjustment of the Phillips curve to fit expectations," which excludes the possibility of a "compromise" between inflation and unemployment over the long range, and the "monetary approach to the balance of payments," or the monetarist analysis of foreign economic problems, including floating exchange rates, the mechanism for the global spread of inflation, etc.²⁹

If, however, we had to name the main watershed, the main "line of demarcation" dividing the currents of contemporary bourgeois economic thought, we believe that it would be the neoclassical faith in the effectiveness of market mechanisms of economic self-regulation, allowing for the possibility of production growth without "props" or "injections" from the state budget. It is this illusory, apologetic view of capitalism that serves as the theoretical basis of all monetarist and other neoclassical factions, and it is this view that colors their arguments and political conclusions. In this connection, we must refute the statement by Friedman and his colleagues that their disagreements with neo-Keynesians supposedly concern only the "degree of elasticity of some key variables." The Keynesians regard the capitalist economic system as an inherently unstable one which needs constant adjustment; the monetarists, on the other hand, see government intervention as the root of all evil and portray capitalism as a fundamentally "harmonious" and "coordinated" method of production. These diametrically opposed views could hardly be reconciled or "synthesized."

In the Monetarist 'Blind Alley'

Anyone who first encounters the theoretical constructs of the monetarists naturally wonders about the validity of their statements about the "exceptional stability" of the private sector in light of the obvious instability of the capitalist economy, the severe cyclical recessions and the other periodically recurring and chronic disruptions of economic activity. The monetarists maintain that crises of overproduction, inflation and other similar phenomena are "uncharacteristic" of capitalism. All of them are supposedly engendered by chaotic and spontaneous fluctuations in the amount of money in circulation, and the main reason for these

fluctuations can be found in government measures to regulate economic conditions. As we have already pointed out, the monetarists believe that the decisive "equalizing" mechanism of capitalist production is the stable demand on the part of economic agents for surplus cash and the natural laws governing the accumulation and expenditure of money. Whereas Keynes regarded the demand for money (liquidity preference) as an extremely capricious and unstable quantity, the monetarists view it as an anchor of stability in the free play of market forces. In view of the fact that the demand for surplus cash is closely related to the indicator of monetary velocity, which is essentially only another way of expressing it, it is also regarded as a relatively stable and permanent quantity.

The monetarist view of the economy's reaction to sudden "external shocks," which disrupt the customary relationship between money and income, can be illustrated in the following manner. Let us assume that government operations to finance a large budget deficit have dramatically increased the amount of money in circulation, and this has led to the accumulation of surplus (given the current price level and speed of monetary circulation) cash by capitalist firms and the population. According to the monetarists, this will stimulate the rapid expenditure of the "surplus" money because it will violate the customary proportions in the distribution of income among alternative types of assets. The other side of the coin, however, will be a general rise in total demand for goods and services throughout the economy. The mechanism which raises the cost of commodities will then go into effect, and prices will rise. The process will continue until money and commodities reach a new state of equilibrium at a higher price level. The purchasing power of money will decrease proportionately. Imbalances will be eradicated and a state of economic equilibrium will be restored spontaneously. In essence, this is the impact of real surplus cash, which is assigned most of the responsibility for economic "equalization."

Friedman's proposed system of economic adjustments represents an impermissible oversimplification and distortion of the actual cause and effect relationships in capitalist reproduction. The sphere of monetary circulation, despite the importance of the processes taking place within it, is not autonomous or independent in relation to other economic spheres. It is subject to the effects of the more general laws governing the production and circulation of the social product. These laws, in turn, stem from the nature of capitalist production relations and the class structure of the bourgeois society. This is why it is absolutely wrong to view monetary circulation as the main link in the chain of reproduction and national economic equilibrium.

Even with this primitive approach, however, the monetarists cannot tie all of the loose ends together. They have been unable, for example, to demonstrate the "extraordinary stability" of monetary demand, which essentially serves as the basis of their hypothesis regarding "spontaneous economic adjustments." This is attested to, above all, by the dynamics of monetary velocity, which, contrary to all statements by monetarists, undergoes considerable fluctuation both over the long range (a protracted decline at the beginning of the 20th century and a rise after World War II) and during various stages of the industrial cycle. The speed of monetary circulation in relation to final U.S. income rose 3.3-fold over the postwar period (from 2.05 in 1947 to 6.76 in 1980).³⁰ Short-term (within a single quarter) deviations in velocity from the general trend have exceeded 10 percent at times.³¹

None of this testifies to the presence of a stable connection between money and income.

The considerable instability of monetary demand is also reflected in the practice of forecasting aggregate money with the aid of econometric models. In the 1970's the sizable errors in forecasts of monetary velocity dynamics undermined trust in these models, which were based on the idea of the stable function of the demand for money. For example, the estimated monetary aggregate based on comparisons with parameters calculated according to American statistics for the 1960-1974 period exceeded the actual monetary reserve in the United States by 62 billion dollars in the fourth quarter of 1979. The error was equivalent to almost 20 percent of the "conservative" aggregate estimate! Citing this estimate, American economist J. Duprey wrote: "The equation (the demand for money--V.U.) is statistically unstable. In other words, the traditional connection between the demand for money and its determining factors...has undergone unpredictable changes with the passage of time."³² Similar conclusions have been drawn by other economists who have tried to model the demand for surplus cash.³³ But if this economic indicator is subject to significant and unpredictable fluctuations, how can an entire theory of economic behavior be based on it?

The monetarists' interpretation of the pricing mechanism as the key element of the "adjusting system" in the capitalist economy also has no basis. To play this role, prices would have to be extremely elastic and, besides this, would have to depend only on one factor--the amount of money in circulation. But reality does not meet these conditions. Today's inflation is not a "purely monetary" phenomenon as the monetarists maintain. The price level is now affected by various factors of a monetary and non-monetary nature. As for the flexibility of prices, it is considerably limited at present by the monopolistic practice of fixing prices on a high level. This is discussed in many studies by Soviet and foreign economists, who demonstrate that prices in monopolized branches react little to changes in market demand.³⁴ Therefore, even this premise of the monetarist theory is false and is inconsistent with the actual state of affairs.

Friedman's constructs unavoidably lead him to one variation of the monetary theory of the cycle. All of the most severe production declines in the United States during a period spanning almost the entire past century are portrayed by the monetarists as a result of reductions in the quantity of money due to the nearsighted policy of the central bank and treasury. In the same way, all protracted rises in prices are depicted as a result of an increase in the monetary aggregate. As for the numerous discrepancies between the dynamics of the gross national product, which is regarded as the indicator of the production level, and preceding changes in the monetary reserve, the monetarists blame them on the long delays between the change in the quantity of money and the subsequent changes in the gross final product. With the aid of this method, any discrepancies between theory and reality can be rationalized.

The conclusion that "significant changes in the growth rates of the monetary aggregate are an essential and adequate condition for significant changes in the growth rates of monetary income"³⁵ has not been supported by the overwhelming majority of bourgeois researchers. "The cyclical precedence of money," J. Tobin wrote, "actually tells us nothing about cause and effect."³⁶

The prescribed treatment for the illness is consistent with the diagnosis. In contrast to the principles of economic regulation worked out during the postwar period under the influence of orthodox Keynesianism--the attempt to simultaneously attain several, sometimes contradictory economic goals, the emphasis on budget measures with the relegation of monetary policy to a secondary position, the employment of "fine tuning" tactics (that is, the rapid modification of policy to fit changes in market conditions) and so forth--the rules defended by monetarists are quite different. This now well-known set of recommendations includes: the attainment of only one goal--the stability of commercial prices--and the counteraction of inflationary tendencies, the institution of automatic principles of "monetary control" based on long-range tendencies in the dynamics of key economic indicators, etc.

Discretionary (voluntary) regulation, which has led to radical changes in policy (and, consequently, to "leaps" in aggregate money), is to be replaced by the rule of "constant growth rates of the monetary reserve," presupposing an increase in the quantity of money by a definite amount (the "k-percent" rule), regardless of the phase of the cycle. The optimal growth rate of money must be calculated on the basis of long-range tendencies with a view to changes in monetary velocity. This policy will result, in their opinion, in economic stability and help to eliminate imbalances.

Up to the middle of the 1970's monetarist criticism of the principles of economic policy did not transcend the bounds of purely academic debates. The increasing severity of inflation and its extremely pernicious effect on the reproduction process, investments and employment dismayed ruling circles in the capitalist countries and compelled them to listen to the warnings of monetarists. The process was begun by the United States, where Congress was already demanding in 1975 that the Federal Reserve System (FRS) "ensure the long-range growth of monetary and credit aggregates in accordance with the long-range economic potential for production growth." The FRS was obligated to set limits on the growth of the monetary aggregate for the coming period--something like the "Friedman rule." In 1977 a law was passed to secure this premise.

The United States' example was followed by other industrially developed capitalist countries, which also planned changes in various monetary and credit indicators as a "disciplinary measure"--the FRG, Canada, England, Switzerland, Italy, France and others. On the whole, there was an obvious move everywhere from activism, with its energetic measures to "control demand," to "gradualism," or cautious policy, an emphasis on long-range goals, reliance on spontaneous mechanisms of self-regulation, etc.

At the end of the 1970's the American monetarists harshly criticized the policy of the FRS, which was not adhering to monetarist recommendations consistently enough, in spite of the institution of set limits on the growth of the monetary aggregate. The critics were particularly displeased with the FRS leadership's tendency to view the level of interest rates as an indicator of market friction. The monetarists regarded this as a concession to Keynesian strategy and they demanded an emphasis on total bank reserves, which serve as the basis for credit expansion and, consequently, for the monetary aggregate. In 1979, the FRS had to surrender: It announced on 6 October that the most important instrument of credit policy--operations in the open market--would not be conducted with a view to the interest rate

on reserve funds, but to the volume and dynamics of this reserve and its correspondence to the growth ceiling.

This action, which led to a record rise in market interest rates, did not result in the anticipated stability of the monetary aggregate. Other indicators of economic activity also continued to drop, despite the use of restrictive tactics. According to quarterly American statistics, for example, the average growth rate of bank reserves in 1961-1969 was 5.1 percent, but in 1970-1979 it was 7.9 percent, and the respective figures for other indicators were 4.14 and 6.06 percent for the "narrow" money indicator, 4.32 and 2.94 percent for the "real" GNP indicator, and 2.79 and 6.63 percent for the price deflator. The average rate of unemployment rose from 4.69 to 6.19 percent during the same period. Therefore, the inclusion of monetarist principles in the system of macroeconomic regulation did not improve the functioning of the American economy. The more rigid restriction of money, predictably enough, did not bring about overall economic stability.

The future of the monetarist school is open to question. As we pointed out above, it has become one of the most influential currents in bourgeois economic thought in recent years, has left a deep impression in Western theoretical and academic literature and has been widely used in the compilation of stabilization programs. Many prominent economists and economic policymakers now support this doctrine. The monetarist doctrine has dealt a perceptible blow to Keynesianism, as a result of which the entire system of bourgeois economic views has shifted in the direction of the "neoclassical pole."

The subsequent development of monetarist ideas in the West was connected, as we have seen, with the theory of rational expectations, which assumes the "rational" behavior of economic subjects under the conditions of risk and inadequate information. Representatives of this current--R. Lucas, T. Sargent, N. Wallace, R. Barrow, S. Fisher and others--have applied the hypothesis of rational expectations to the neoclassical theory of the "natural level of production" and have drawn sweeping conclusions about the effective "clearing of commercial markets" in an idealized competitive economy and about the impossibility of general crises of overproduction.³⁷ In the model of rational expectations, money is not simply neutral--it is superneutral in the spirit of the strictest variations of the quantity theory of money. In other words, in contrast to orthodox monetarism, this doctrine excludes the possibility that monetary factors can influence real variables even over the short range, thereby affirming an aspect of the Phillips vertical curve. To explain the differences between the views of orthodox monetarists and the "rationals," we will return to the concept of the "natural level of unemployment." In Friedman's 1968 article about monetary policy, which famous American economist R. Gordon recently called "the most influential article on macroeconomic theory in the last two decades," the function of total supply connects the level of real production with the economic subject's assessment of the future development of the inflationary process. In Friedman's system of ideas, demand and supply in the labor market are determined not by nominal (monetary) wages, but by the real (deflated) wage, which is only another way of expressing the idea that production agents have no "monetary illusions." This is why the government can accomplish a temporary deviation from the "natural" level of production and employment if it can deceive economic subjects by imposing an "unanticipated" rate of inflation that has not been envisaged in contracts and agreements. In Friedman's model, these

deviations are completely permissible because it presupposes the "adaptive" formation of inflationary expectations, in which participants in economic circulation act in accordance with past changes in prices. The future, according to this approach, is a precise copy of the past: Quick price changes in the past mean that quick changes can be anticipated in the future. Consequently, the government can temporarily accelerate economic growth and reduce unemployment by "betraying" these expectations.

The neoclassicists who have introduced the "rational" explanation of the formation of expectations into Friedman's model have drawn different conclusions about the possible impact of monetary policy. The economic individual, they maintain, does not simply rely passively on his past experience, as the "adaptive" theory declares. He uses and studies all available information about economic prospects, including information about the intentions of government circles and their projected policy. The attempts of economic supervisory bodies to influence the course of economic development and, consequently, the rate of inflation also change the plans of economic agents and their inflationary expectations. Consequently, the intentions of the government will be quickly deciphered and the resulting information will be used to neutralize the harmful effects of inflation (by means of the "sliding scale," other forms of income adjustment, etc.). "Unanticipated" inflation is thereby made impossible, and the policy of "controlling demand" is destined to fail.³⁸ This, for example, is the conclusion of T. Sargent and N. Wallace.³⁹

The theory of "rational expectations" aroused lively debates in the academic community because it implied the absolute futility of any regulatory system. This conclusion, however, appealed to conservative politicians and representatives of big capital, who saw these theoretical constructs as another argument in favor of cuts in state economic programs and the abandonment of an active economic policy.

The conclusions of the "rationalists" rest on a shaky foundation. They presuppose some kind of idealized economic system with atomistic markets and perfect competition. Obviously, in an atmosphere of monopoly domination, price-fixing, the one-sided elasticity of prices and the fierce class struggle between labor and capital, the mechanism of a defensive reaction to changes in economic forecasts will not work.

Besides this, the theory of "rational expectations" is based on the assumption that any subject of economic turnover, any "man on the street," can evaluate the most complex aspects of the economic situation and its developmental prospects as well as the most highly skilled financial experts. This assumption is completely unrealistic. Even those with a favorable opinion of this doctrine wonder just how "rational" these expectations can be and how closely forecasts can approximate reality. Therefore, even according to purely formal considerations, the ideas of the "rationalist school" suffer from serious defects.

Monetarism and all of its various offshoots do, however, perform important ideological functions. These concepts provide big capital with theoretical weapons in its struggle against the working class. The leading monetarists are not concealing their class sympathies. Speaking at a conference in honor of M. Friedman's 60th birthday, renowned economist G. Stigler praised the "father of monetarism" for "not teaching businessmen how to act" but advising them "not to listen to social

reformers."⁴⁰ This emphasis on the "healthy instinct" of the businessman and hatred of democratic reforms is one of the mainsprings of monetarist doctrine. It is trying to renovate the cracked facade of capitalism by restoring its "classical" form with minimum intervention in the affairs of the business community. This is the reason for the viability of these theories and for their appeal to the dominant class.

FOOTNOTES

1. "Studies in the Quantity Theory of Money," ed. by M. Friedman, Chicago, 1956.
2. F. Modigliani, "The Monetarist Controversy, or Should We Forsake Stabilization Policies?" (*THE AMERICAN ECONOMIC REVIEW*, March 1977, p 18).
3. "Readings in Financial Institutions," N.Y., 1965, p 146.
4. A. Okun, who served on the President's Council of Economic Advisers for 6 years during the 1960's and was once the chairman of the council, complained in "The Political Economy of Prosperity" that ideas about industrial cycles were a permanent part of the approach of professional economists to the assessment of economic functioning. The move toward a policy of vigorous intervention and preventive actions by the government, which Okun feels reached its apex with the tax reform of 1964-1965 in the United States, radically changed the situation. Since that time, he writes, "only a few researchers have regarded the industrial cycle as a useful point of reference for the overall analysis of the current economic situation." Okun adds that critical production declines are now "preventable, in principle" (A. Okun, "The Political Economy of Prosperity," Wash., 1970, p 33).
5. Sometimes this is called the theory of macroeconomic expectations because it represents an attempt to apply the hypothesis of "rational behavior" on the part of economic agents, proposed in the beginning of the 1960's by J. Muth, to the problems of general economic dynamics, particularly for the purpose of explaining the economic cycle.
6. P. A. Samuelson, "Role of Money in National Economic Policy" ("Controlling Monetary Aggregates," Boston, 1969, p 7).
7. N. Kaldor, "The New Monetarism" (*LLOYDS BANK REVIEW*, July 1970, pp 1-2).
8. R. Lucas and T. Sargent, "After Keynesian Macroeconomics" ("After the Phillips Curve: Persistence of High Inflation and High Unemployment," Federal Reserve Bank of Boston, 1978, p 49).
9. H. C. Johnson, "The Keynesian Revolution and the Monetarist Counterrevolution" (*THE AMERICAN ECONOMIC REVIEW*, May 1971, p 13).
10. J. Tobin, "The Monetarist Counterrevolution Today. An Appraisal" (*ECONOMIC JOURNAL*, March 1981, p 30).

11. Ibid.
12. The president of one federal reserve bank in the United States, D. Eastburn, has said: "Many economists have said in recent years: 'I am not a monetarist, but...I belong to this group. I do not agree with the monetarists' desire to maintain a stable growth rate of money regardless of the effect this might have on interest rates, but I definitely believe that money is the main cause of today's inflation and that its slower growth is important for the reduction of inflation. Unless there is discipline in the sphere of circulation, no other methods will work'" (BUSINESS REVIEW, Federal Reserve Bank of Philadelphia, November-December 1979, p 6).
13. J. Tobin, Op. cit., p 33.
14. M. Friedman, "Capitalism and Freedom," Chicago, 1962 (the page numbers of quotations will be indicated in parentheses).
15. M. Friedman and R. Friedman, "Free To Choose. A Personal Statement," N.Y., 1979.
16. M. Friedman, "The Quantity Theory of Money--A Restatement" ("Studies in the Quantity Theory of Money," p 16).
17. M. Friedman and D. Meiselman, "The Relative Stability of Monetary Velocity and the Investment Multiplier in the United States, 1897-1958" ("Stabilization Policies," Englewood Cliffs, 1963).
18. See, for example, A. Meltzer, "The Demand for Money: The Evidence from the Time Series" (JOURNAL OF POLITICAL ECONOMY, June 1963); D. Laidler, "The Demand for Money: Theories and Evidence," Scranton, 1969.
19. M. Friedman, "The Demand for Money--Some Theoretical and Empirical Results" (JOURNAL OF POLITICAL ECONOMY, June 1959).
20. J. Tobin, "The Monetary Interpretation of History" (THE AMERICAN ECONOMIC REVIEW, June 1965); J. Tobin, "Money and Income: Post Hoc Ergo Propter Hoc?" (THE QUARTERLY JOURNAL OF ECONOMICS, May 1970); P. Temin, "Did Monetary Forces Cause the Great Depression?" N.Y., 1976.
21. M. Friedman, "The Role of Monetary Policy" (THE AMERICAN ECONOMIC REVIEW, March 1968).
22. "Monetarism," ed. by J. Stein, vol 1, Amsterdam, 1976.
23. F. Modigliani, Op. cit., p 5; F. Hahn, "Monetarism and Economic Theory" (ECONOMICA, February 1980); J. Tobin, "Stabilization Policy: Ten Years After" (BROOKINGS PAPERS ON ECONOMIC ACTIVITY, No 1, 1980).
24. For example, J. Stein writes: "The monetarists are policy-oriented. Their basic premises represent several empirical observations...and not a theory diametrically opposed to neo-Keynesian analysis" ("Monetarism," p 2).

Friedman makes a similar remark: "I still believe that our fundamental differences of opinion (with the Keynesians--U. S.) are of an empirical, and not a theoretical, nature" (Op. cit., p 315).

25. H. R. Vane and J. L. Thompson, "Monetarism: Theory, Evidence and Policy," Oxford, 1979, p 5.
26. "In England each monetarist represents a peculiar variety of monetarism.... There are Christian monetarists, socialist monetarists, 'soft' and 'rock-hard' monetarists, gold standard monetarists, 'floating exchange rate' monetarists and, of course, anarchistic monetarists" (THE BANKER, January 1977, p 13).
27. M. Friedman, "The Counterrevolution in Monetary Theory," London, 1970, pp 22-26.
28. WELTWIRTSCHAFTLICHES ARCHIV, No 1, 1970, pp 5-7.
29. D. Laidler, "Monetarism: An Interpretation and an Assessment" (ECONOMIC JOURNAL, March 1981, p 1).
30. Calculated on the basis of quarterly data on the gross final product and the "narrow" indicator of the monetary aggregate.
31. THE MORGAN GUARANTY SURVEY, February 1981, p 9.
32. J. N. Duprey, "The Search for a Stable Money Demand Equation" (FEDERAL RESERVE BANK OF MINNEAPOLIS QUARTERLY REVIEW, Summer 1980, p 5).
33. J. Enzler, L. Johnson and J. Paulis, "Some Problems of Money Demand" (BROOKINGS PAPERS ON ECONOMIC ACTIVITY, No 1, 1976); S. Goldfield, "The Case of the Missing Money" (Ibid., No 3, 1976); R. Porter, T. Simpson and E. Mauskopf, "Financial Innovation and the Monetary Aggregates" (Ibid., No 1, 1979).
34. "Sovremennaya inflyatsiya: istoki, prichiny, protivorechiya" [Present-Day Inflation: Sources, Causes and Contradictions], ed. by S. M. Nikitin, Moscow, 1980; H. M. Wachtel and P. D. Adelsheim, "How Recession Feeds Inflation: Price Markups in Concentrated Industries" (CHALLENGE, September-October 1977).
35. M. Friedman and A. Schwartz, "Money and Business Cycles" ("The State of Monetary Economics," NBER, 1963, p 53); M. Friedman and A. Schwartz, "Money and Business," p 67.
36. THE QUARTERLY JOURNAL OF ECONOMICS, May 1970, p 328.
37. Calling the "inclusion of the so-called hypothesis of rational expectations in the Friedman model" a "fatal blow to Keynesianism," F. Modigliani wrote that in this system "the economy is internally fully stable with the exception of the potential effect of government manipulations; and as long as some instability remains, it will be humanly impossible to eliminate it" (F. Modigliani, Op. cit., p 5).

38. If we assume that the total function of demand can be expressed in the formula ($Q_t = \gamma [P_t - E(P_t)]$), where Q_t stands for the deviation of the actual real product from its "natural" level, P_t stands for the actual price level, $E(P_t)$ stands for the anticipated price level, then the greater the discrepancy between the actual P_t and the anticipated $E(P_t)$ price level, the more the real product will deviate from its "natural" level. If "rational expectations" prevail, however, any government measure which influences P_t will simultaneously influence $E(P_t)$. If this is so, then according to the "neoclassicist" logic, stabilization policy has no chance of success.
39. T. J. Sargent and N. Wallace, "'Rational' Expectations, the Optimal Monetary Instrument, and the Optimal Money Supply Rule" (JOURNAL OF POLITICAL ECONOMY, April 1975).
40. "Capitalism and Freedom: Problems and Prospects," Proceedings of the Conference in Honor of Milton Friedman, ed. by R. Selden, University Press of Virginia, Charlottesville, 1975, p 312.

COPYRIGHT: Izdatel'stvo "Pravda". "Mirovaya ekonomika i mezhdunarodnyye otnosheniya", 1982.

8588
CSO: 1816/9

U.S. MILITARY THREAT TO PERSIAN GULF STATES VIEWED

Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA in Russian No 6, Jun 82
(signed to press 28 May 82) pp 91-96

[Article by T. Alekseyeva and Yu. Fedorov: "The Imperialist Threat Hanging Over the Persian Gulf"]

[Text] As L. I. Brezhnev has pointed out, the advocates of "cold war" are trying to redesign the political map of the world by pronouncing that vast regions of the planet on all continents are zones of their "vital interests."

The imperialist powers are particularly interested in the Persian Gulf zone. Encroaching upon the sovereignty of the states located here and obviously striving to establish control over their natural resources, especially their oil,¹ the United States has concentrated large air and naval forces in the Indian Ocean and adjacent territories. It has embarked on the intensive construction of a system of facilities which are expected to guarantee permanent American military presence in the region. These actions are escalating tension in the gulf, are provoking crises and conflicts and often complicate relations between young independent states.

I

Washington began to openly threaten punitive actions against the oil-exporting countries, including the Persian Gulf states, after many Arab countries decided to restrict the proprietary behavior of capitalist monopolies in the sphere of oil production. By the end of 1974, U.S. Secretary of State H. Kissinger could already imagine "a set of circumstances..., in which we will have to use force." Washington also made several similar statements later.

In fall 1977 a decision was made in the United States on the creation of a "rapid deployment force," intended primarily for actions in the Middle East, the Persian Gulf zone and some other parts of the developing world. Pentagon strategists did not conceal the fact that these crack troops were intended for use mainly against the oil-producing countries. Reports were leaked to the Western press about "Presidential Directive 51," which actually authorized the use of nuclear weapons in local military confrontations in the Persian Gulf zone and adjacent regions under certain circumstances. In a special report submitted at the end of 1980 to the leadership of the North Atlantic alliance, the Near and Middle East region

was described not only as a zone of vital importance to the West, but also as a "third theater of combat" along with Western Europe and Southeast Asia. Earlier, when U.S. Secretary of Defense H. Brown presented a speech in Los Angeles on 20 February 1978, he remarked: "In view of the fact that the world's largest sources of petroleum are concentrated in the Middle East and the Persian Gulf zone, the security of this region cannot be separated from our own security and the security of NATO and our allies in Asia."

It is completely obvious that the plans to secure the interests of capitalist monopolies in the region primarily by military means were being made even before the April revolution of 1978 in Afghanistan and the fall of the shah's regime in Iran. This fact completely refutes the American propaganda establishment's attempts to justify U.S. interventionist actions by means of references to the Afghan and Iranian events that supposedly endangered the strategic positions of the West.

At the same time, there is no question that the fall of the monarchic regime in Iran stimulated Pentagon activity in the Persian Gulf and the approaches to it. This was actually the fall of an antidemocratic terrorist dictatorship on which Washington had relied for many years as a guarantor of "stability and regional order." "The Iranian revolution," U.S. Secretary of State A. Haig said, "completely established the connection between energy and national security in the minds of American politicians and in American public opinion."² In February 1981 when Haig was interviewed by the NEW REPUBLIC, he said: "I am not satisfied with our present potential for the successful conduct of war in this region.... We are considering several possibilities for the expansion of American presence."

In addition to reinforcing its existing bases and establishing support points in Egypt, Oman, Kenya and Somalia, the Pentagon is simultaneously soliciting new military facilities in the Persian Gulf zone and the approaches to it. It is understandable that the American military establishment needs a diversified military infrastructure for the "rapid deployment forces," whose numbers are expected to rise from 110,000 to 325,000. Special importance has been attached to the enlargement and modernization of the huge U.S. naval and air force base on the island of Diego Garcia, located in the center of the Indian Ocean. Since 1980 this area has been constantly patrolled by 2 carrier task forces, consisting of around 20 naval ships. Up to 180 planes are based on the carrier, including 80 carrier-based attack aircraft carrying nuclear weapons. Plans also call for the creation of a new fifth fleet, intended expressly for operations in the Indian Ocean basin.

Washington has given unremitting attention to the consolidation of the American-Israeli alliance. Plans envisage joint military maneuvers, the establishment of American weapon and materiel depots in Israel for "emergency situations," the use of Israeli bases by the American Navy and Air Force and several other measures. In exchange for this, the Begin government received the promise of even greater U.S. support for its adventurist and aggressive policy line, thereby gaining the freedom to launch a broad campaign of terror in territories occupied by Tel Aviv. There has also been an increase in U.S. military and economic aid to Israel.³ The signing of the American-Israel "security memorandum" essentially gave the Tel Aviv hawks a green light for the annexation of the Golan Heights, seized in 1967 but belonging to Syria. All-round U.S. support is the mainspring of the Israel military establishment's criminal actions.

The Pentagon is also trying to establish closer military cooperation with Egypt and gain more access to its military facilities. Two American military bases are being built in Egypt--in Ras Banas (on the Red Sea coast) and near Mersa Matruh. In accordance with the Camp David agreements, a military contingent, numbering more than 1,000 men and constituting the nucleus of the so-called multinational force put together by the Pentagon to camouflage its own aggressive plans, has been deployed on the Sinai peninsula. "For the first time," the WASHINGTON POST reported, "U.S. troops will be stationed permanently in the Middle East."

Therefore, the notorious "crescent of crisis" once outlined by Z. Brzezinski, with the oil-bearing regions of the Persian Gulf at its center, is being transformed by the U.S. administration into a crescent of military bases. Another of the "innovations" of Washington strategists is the idea of creating a "zone of strategic consensus" in the region--that is, an anti-Soviet alliance of local reactionary regimes and Israel under the patronage of the United States.

The reinforcement of military-political ties with the Zia-ul-Haq regime has been assigned a key role in U.S. plans. In essence, Washington wants to assign Pakistan the police functions that were previously performed by the shah's Iran. For this purpose, the present American administration has agreed to a sharp increase in military and economic aid to Islamabad. As we know, the Carter Administration intended to offer 400 million dollars' worth of aid, but the Pakistani leadership demanded more. At the end of summer 1981 an agreement was concluded on the extension of credit to Pakistan for a total sum of 3.2-3.7 billion dollars, mainly for the purchase of American weapons. The United States is sending Pakistan 40 multi-purpose modern F-16 fighter planes, M-60 and M-40 tanks, C-130 heavy cargo planes, Cobra helicopters, various types of missiles, etc. Backed up by U.S. aid Islamabad plans to augment its arsenal and to form another 6 new infantry divisions, 17 armored units and other subunits equipped with American and Chinese weapons.

In exchange for massive deliveries of military equipment, the Reagan Administration wants to station "rapid deployment forces" in Pakistan, gain access to Pakistani ports for American naval ships and use some airfields. Besides this, the soil is being prepared for military-political agreements which will attach Islamabad more closely to the strategy of American imperialism.

The leaders of Pakistan have implied that they will meet the United States half-way if it complies with all their requests. As soon as a community of interests has been confirmed, Zia-ul-Haq announced, the two countries can work on the total attainment of their goals.⁴ According to reports in the press, Islamabad has already consented to serve American naval ships in the Pakistani ports of Gwadar and Karachi and has authorized the deployment of spy planes on the Bada-Bera base near Peshawar, the main support point of the Afghan counterrevolution. According to the same reports, plans have been made for the restoration and construction of centers for the electronic surveillance of the USSR from Pakistani territory. These will be combined with similar facilities in Turkey to make up a single complex.

Washington's interventionist line is arousing anxiety and fear in the Persian Gulf countries. For example, SURVIVAL, a magazine published by the London International Institute of Strategic Research, remarked that "the American intention to rely

primarily on its own capacity for armed intervention, which was demonstrated so awkwardly (apparently, this refers to the shameful failure of the plan to land American troops--Author), has convinced many Saudis that the United States is preparing more for the seizure of control over their oil deposits than for the defense of the Persian Gulf and Saudi Arabia.⁵ Most of the Persian Gulf countries do not even want this "defense." They want to decide their own future and take full charge of their own natural resources without any kind of outside interference.

II

The growth of American imperialism's militaristic activity in the Persian Gulf zone has been accompanied by persistent attempts by U.S. ruling circles to involve their NATO partners in the implementation of their aggressive plans. The Accountability Report of the CPSU Central Committee to the 26th Congress said: "To share expenses and simultaneously to bind its NATO partners more closely to itself, the United States is trying to expand the functions of this bloc. Washington strategists obviously want to involve dozens of other states in their military preparations and enmesh the world in a web of their own bases, airfields and weapon depots."

In an attempt to secure a propaganda cover for its own actions, Washington has repeatedly declared that only a powerful military fist can prevent the "otherwise inevitable" seizure of oil deposits by the Soviet Union and the subsequent energy "suffocation" of the developed capitalist states.

With the clear aim of diverting attention from the real reasons for the escalation of tension in the Persian Gulf, presidential adviser W. Middendorf has openly intimidated the Western European public with the phantom of the "Soviet threat." "The Russians want to conquer the world. The first step in this direction will be to deprive the West of raw materials.... I am amazed by the Europeans who are still, even in the face of this danger, wondering whether NATO armed forces should be used anywhere beyond the Mediterranean" (interview in STERN magazine, April 1981). Admonitions of this kind, however, have not produced the desired results.

Western Europe has specific and traditional interests in the Arab world, which it is not inclined to risk for the sake of "common Western interests" as they are interpreted by Washington. Nevertheless, the United States has not abandoned its attempts to assign its partners some of the police functions in the developing world. Whereas it once wanted its partners to support various American actions, it is now insisting on "division of labor" and the "extension of the NATO sphere of action," hoping primarily to extend it to the Persian Gulf, where England and France, in particular, have strong and longstanding ties.

The idea of extending NATO's "zone of responsibility" by including vast regions of Africa, the Near and Middle East, Southwest Asia and the Indian Ocean is not a new one; it dates back to the mid-1970's.⁶

In this connection, it would be useful to recall a statement made in summer 1976 by then NATO Supreme Commander A. Haig: "I am certain that we must look beyond the traditional boundaries of the alliance. For the responsible performance of duties, I cannot ignore events that are occurring everywhere--in the Middle East or in regions located on the periphery of our flanks."⁷ Later he made a more pointed

remark. "The interests of NATO," he said, "extend beyond the alliance's zone of action.... Even on the regional level we must acquire the military capability to serve as a deterrent...in the Third World."

Above all, this presupposed a search for new forms and methods of aid to the racist regime in South Africa. One specific proposal concerned the creation of some kind of NATO-sponsored "South Atlantic treaty," which would include South Africa and several Latin American rightist regimes. In the mid-1970's, for example, Bundeswehr General G. Pilster appealed for direct NATO intervention in the struggle against national liberation movements in southern Africa. "The free West," he declared, "cannot remain indifferent to the development of events in southern Africa.... NATO cannot allow events to develop haphazardly without showing a reaction."

Later, attention was focused more and more on the Persian Gulf and adjacent regions. Influential West German military correspondent A. Weinstein wrote in fall 1979, expressing the views of reactionary Bundeswehr officers: "The Atlantic armies must create 'rapid deployment forces.' The NATO navies must regroup. The strategic situation in the Indian Ocean and the South Atlantic demands the presence of mobile NATO contingents.... Here, just as in other locations, NATO must achieve political ends by means of military deterrence."⁸

Government circles in Western Europe have had a fairly reserved response to the appeals for the southward expansion of the NATO zone of action. They are afraid of becoming involved, against their own will, in American adventures, particularly as these could disrupt their diversified ties with the Arab countries, as was the case in October 1973. The European NATO states want the matter to be confined to preliminary consultations for the determination of a common stand on matters lying outside the North Atlantic bloc's sphere of competence. The Western European view was expressed in the following words by E. Heath, prominent figure in Great Britain's Conservative Party: "The alliance (NATO--author) cannot and should not extend its military functions beyond present boundaries or act as a single entity in any other area. It will be necessary, however, to guarantee common goals and coordinated action." He then continued, obviously referring to the United States: "If the members of the alliance cannot agree on priorities and try instead to turn a challenge to one into a test of overall unity, the alliance will be even more divided and demoralized."⁹

"The NATO sphere of action cannot and should not extend to this region (the Persian Gulf--author)," West German author K. Kaiser wrote, "although NATO does represent a necessary consultative and coordinating instrument in the event that developments along its periphery should endanger the interests of its members." Kaiser proposed the creation of a "special task force" on the Persian Gulf, consisting of the United States, England, France and the FRG, as well as Japan, which would consider ways of regulating crises.¹⁰

The positions of individual Western European states have been marked by their characteristic conflicts. On the one hand, they have expressed their disapproval of their "senior partner's" extremist ambitions in this region. They have made various stipulations in this connection, particularly since their interests here are quite considerable. The American administration has been unable to overcome its

partners' objections to the sweeping "Atlanticization" of the Persian Gulf. For this reason, a compromise was worked out to "share the burden," presupposing the involvement of the Western European states in interventionist adventures.

In February 1981 U.S. Deputy Secretary of Defense F. Carlucci again demanded stronger contacts from the Western European states, especially in the military sphere, increased military and economic aid to pro-imperialist regimes in Southwest Asia and the Persian Gulf zone, the augmentation of the military presence of European NATO members in this area and the close coordination of their actions with U.S. military activity. He did, however, feel the need to add: "For obvious reasons, I am not referring to NATO's formal role. I am referring to individual but intersupplementary efforts by alliance members." Besides this, the Pentagon requested the Western European members to intensify military preparations in Europe for the purpose of freeing U.S. military contingents for action in other regions, especially the Middle East and the Persian Gulf.

As a result of prolonged negotiations, the NATO defense planning committee adopted a document at a meeting in Brussels on 12-13 May 1981, which noted the "particular importance" of consultations on situations outside Europe. The following statement was included in the communique, however, under American pressure: "The ministers acknowledged that the common goals determined during the course of these consultations might require members of the alliance to deploy forces beyond its zone of action in order to defend common vital interests."¹¹ In this way, NATO again proved to be an instrument of collective neocolonialism, serving Washington's imperial plans.

This tendency was even more apparent during a NATO military planning committee session in Brussels in May 1982. The defense ministers of bloc countries essentially confirmed, under U.S. pressure, the willingness of their states to support possible actions by American "rapid deployment forces" beyond NATO's zone of responsibility."

Washington has attached primary significance to Great Britain and the FRG, which are obligated, in its opinion, to make a significant contribution to the maintenance of a balance of power benefiting imperialism in the Persian Gulf zone.

The English leadership approved of the American idea of building up military presence "south of NATO's southern flank," although it appears that the psychological scars of the 1956 fiasco of the English, French and Israeli intervention in the Suez Canal zone and the retreat from regions "east of Suez" have not healed completely as yet. The Tories have displayed perhaps the greatest willingness to defend imperialism's positions in the region. The British Navy took part in joint maneuvers with the American naval fleet assembled in the Gulf.

When Prime Minister M. Thatcher of Great Britain visited Washington at the beginning of 1981, she completely supported the Pentagon's creation of the "rapid deployment forces" and expressed her intention to create the same kind of English contingent to act in concert with the United States. In a show of solidarity with its overseas partner and loyalty to its "special relationship" with this partner, Great Britain sent ships from a naval fleet previously located in the Far East, particularly the destroyer "Coventry" and the frigate "Olwen," to the Persian Gulf.

At the end of 1980, 25 naval ships, 180 combat planes and around 18,000 English servicemen participated in the "Beacon Compass" joint maneuvers with American naval forces for 3 weeks. London also has more sweeping plans for interaction with the Pentagon in the Persian Gulf zone.

Certain circles in the FRG, including F. J. Strauss and his followers, believe that the United States and Western Europe should act jointly in the Far East, Latin America, the Middle East and Africa. What position has the government taken? "For us," Chancellor H. Schmidt stressed in spring 1981, "military participation outside the official NATO zone of action must be limited. This is understandable to anyone who has read our constitution and who can learn the proper lessons from history. But we will not remain neutral if our allies defend common interests outside the NATO zone." In this connection, Bonn expressed its willingness to extend more credit to the Near and Middle East countries with a pro-Western orientation. The offer of additional aid totaling 560 million marks to Turkey and Pakistan and the talks on the sale of weapons to Saudi Arabia have been described as the FRG's concrete contribution "to the stabilization of the situation in this region."¹² Besides this, in line with the concept of "sharing the burden," the operational zone of the FRG Navy in the North Atlantic is being expanded.

France has impressive naval forces in the Indian Ocean. From 10 to 20 ships are here at all times. This force was recently augmented by ships from the Atlantic and Mediterranean fleets, including two antitorpedo ships with the latest equipment, the "Canto" and "Vignon," three mine sweepers and a floating repair base.

France's strong points are the port of Djibouti, the main base of its naval fleet in this region, where 4,000 servicemen are stationed, and several island territories. Besides this, France has its own "rapid deployment forces," numbering 40,000 soldiers in airborne subunits, marine units and the Foreign Legion, which specialize in "overseas intervention." These units have already been "tested" in central Africa.

During U.S. Secretary of Defense H. Brown's 1980 visit to Paris and Minister of Foreign Affairs Francois-Poncet's trip to Washington at the beginning of 1981, the American leaders tried to talk France into cooperation, implying primarily the use of the port of Djibouti and other French military facilities by the Pentagon. In spite of Washington's admonitions, however, France declined to coordinate its actions closely with the United States and NATO in this region.

The Soviet Union and other socialist countries have put forth repeated initiatives aimed at eliminating obstacles to the use of shipping lanes. In May 1980 the Warsaw Pact states proposed a lower level of military activity in the world ocean. In December 1980, when L. I. Brezhnev was in India, he proposed several specific measures to safeguard peace and security in the Persian Gulf zone. The Soviet proposals were the following: that no foreign military bases be established in the Persian Gulf zone or on the islands nearby; that no nuclear or other weapons of mass destruction be deployed there; that force and threats of force not be used against countries of this region and that there be no interference in their internal affairs; that the status of nonalignment chosen by the states in this region be respected; that they not be encouraged to join military groups with nuclear powers among their members; that the sovereign right of the states in this region to their own natural resources be respected; that no obstacles or threats to normal

commercial exchange and the use of shipping lanes, connecting the states in this region with other parts of the world, be created.

The 26th CPSU Congress reaffirmed the Soviet initiatives pertaining to the Persian Gulf. "Instead of assembling more and more new naval and air fleets, troops and weapons there, we should remove the danger of war from the region by concluding an international agreement," the accountability report of the CPSU Central Committee to the congress stressed. "Through joint efforts, with a view to the legitimate interests of all sides, we can create an atmosphere of stability and calm in this region."

In his speech at the 17th Congress of Soviet Trade Unions on 16 March 1982, L. I. Brezhnev called upon U.S. leaders to agree to the mutual limitation of naval operations and to the discussion of the possible extension of confidence-building measures to the seas and oceans, particularly in the areas of the most lively shipping.

The USSR has consistently and purposefully advocated the transformation of as much of the world ocean as possible, especially the most explosive regions, among which the Persian Gulf occupies a special place--by virtue of both its strategic importance and the urgency of the situation here--into a zone of peace.

FOOTNOTES

1. The countries located here possess more than 60 percent of all known oil deposits in the non-socialist world. Around 17 percent of the oil used in the United States comes from the Persian Gulf zone, Japan receives around 80 percent of its oil from this zone, and Western Europe obtains 64 percent of its imported liquid fuel from these countries. American investments in the zone are estimated at 3.5 billion dollars.
2. ORBIS, Winter 1980, p 757.
3. U.S. NEWS AND WORLD REPORT, 21 September 1981, p 36.
4. Ibid., p 46.
5. SURVIVAL, January-February 1981, p 36.
6. Officially, the southern boundary of NATO's zone of action runs along the Tropic of Cancer and the southern and southwestern borders of Turkey.
7. DER SPIEGEL, 16 August 1976, p 86.
8. FRANKFURTER ALLGEMEINE ZEITUNG, 1 October 1979.
9. SURVIVAL, September-October 1980, p 201.
10. EUROPA ARCHIV, No 9, 1981, p 269.
11. NATO REVIEW, June 1981, p 30.
12. DER SPIEGEL, 9 March 1981, p 23.

COPYRIGHT: Izdatel'stvo "Pravda". "Mirovaya ekonomika i mezhdunarodnyye otnosheniya", 1982.

ISRAELI, U.S. POLICY IN LEBANON ATTACKED

Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA in Russian No 6, Jun 82
(signed to press 28 May 82) pp 97-99

[Article by A. Pavlov: "Israeli Terrorism and its Patrons"]

[Text] Recent events have clearly demonstrated the extremes to which the explosive situation in the Middle East has been driven by the far-reaching aggressive strategy of American imperialism and its main pillar of support in this region--Israeli expansionism. Zionist ruling circles in Tel Aviv are acting more and more shamelessly and are pursuing a policy of total terror against Arab states and peoples. The geographic boundaries of Israeli terrorism, which has been elevated to the status of state policy, are constantly expanding. Has this not been proved by the bombing of the Iraqi nuclear reactor, the invasion of Saudi Arabia's air space by Israeli combat planes, the threat of a "preventive" strike against Libya and much more? The main targets of the daily practice of Zionist terrorism, however, are neighboring Arab countries, the Palestinian resistance movement and the Arab population of occupied territories.

As a result of the Israeli military establishment's mass-scale preparations for war and the actions of armed groups of Lebanese rightwing Christian separatists, the situation in southern Lebanon is extremely tense. At least two Israeli armored divisions and a motorized infantry brigade (totaling 40,000 soldiers) have been transferred to the Lebanese border. Tel Aviv has announced the conscription of the reserve and the cancellation of army leaves. Israeli naval ships are blocking the entire coastline of southern Lebanon. According to official data, in 1981 alone the Israeli military establishment's raids on Lebanon killed 2,379 people and wounded more than 6,500.

At the end of April 1982 the Israeli Air Force launched the massive bombing of Beirut. As a TASS statement of 23 April 1982 stressed, the Soviet Union resolutely condemned this raid and believes that the UN Security Council should finally take effective steps to call this crazed aggressor to order. The statement noted that the Israeli leaders have long cherished expansionist plans against Lebanon and plans for revenge against the Palestine Liberation Organization--the staunch vanguard of the Palestinian Arabs, who are fighting for the restoration of their legal rights.

Columns of trucks carrying weapons and ammunition continued to arrive in the Lebanese border zone controlled by Tel Aviv's puppets, the Khaddam separatists, in the middle of May. Massive Israeli troop transfers were organized in the direction of several populated points in southern Lebanon. According to observers from the temporary UN forces in Lebanon, Israel was building up its main forces for a strike at the country's southern regions. In this connection, President I. Sarkis of the Republic of Lebanon said that Tel Aviv had prepared for invasion by calling up 15 percent of its reserves and assembling several divisions near the border.

The preparations for new terrorist operations against Arabs, especially Palestinians, are also attested to by the continuous acts of violence in Beirut and other Lebanese cities. In a MONDAY MORNING interview, Lebanese Prime Minister S. Wazzan said with complete justification: "I see the hand of Israel in most of the terrorist acts."

As recent events in the West Bank, occupied by Israel since 1967, and the Gaza Strip testify, the ruling clique in Tel Aviv has no intention of giving up its extremist policy line and is relying totally on the methods of terrorism, brute force and blackmail.

In March 1982 the Begin government issued an order on the forcible dissolution of the municipal government in Al Birah and the replacement of the mayors of Nablus and Ram Allah with Israeli army officers, which gave new momentum to the protest movement among the Palestinians. In an attempt to suppress the mounting opposition of the native population of occupied Arab territories, the Tel Aviv regime has shot demonstrators, arrested protesters, instituted a curfew and blockaded cities and rural communities. More than 34,000 Palestinians are now languishing in Israeli torture-chambers.

As a statement by the heads and representatives of municipal government agencies in Qalqilyah, Anabta, Bayt Sahur, Gaza, Dor, Tul Karm, Al Khalil and Bayt Lahm stressed, the Israeli authorities' viciously repressive and brutal treatment of Palestinians and leaders of various mass labor, social and youth organizations in the West Bank and the Gaza Strip is intended to force them to reconcile themselves to Tel Aviv's occupation and colonization of Arab lands.

The Tel Aviv regime is shamelessly violating not only the standards of international law and the resolutions of the UN General Assembly and Security Council, but also its own decisions, which it had to make under the pressure of the persistent struggle of the Palestinian population. In accordance with these decisions, municipal elections were held in the West Bank and Gaza Strip in 1972 and 1976, during which time the Palestinians elected their own legal representatives. Now the Begin government is trying to liquidate even this form of limited local self-government. One of the leaders of the Israeli opposition, A. Eban, had to admit: "I cannot imagine anything more absurd than a situation in which a government...actually abolishes an existing form of limited municipal autonomy."

The Israeli occupants obviously want to fill local government positions with collaborationists obedient to Tel Aviv. At the same time, they are planning something like a redecorating project: Civilians will replace the military in the occupation administration. It is completely obvious that this masquerade and the growing

network of militarized Israeli settlements are supposed to set the stage for the "creeping annexation" of occupied Arab territories. In an interview in Kuwait's AL-ANBA newspaper, K. Maksoud, permanent observer from the Arab League in the United Nations, said that Israel wanted to eventually drive all of the Arabs out of their native lands, replace them with Israeli settlers and annex all seized territories.

In April 1982 the world public witnessed a scandalous act of vandalism which was the result of Israel's state policy of terrorism and the Israeli militaristic psychosis. An American-born soldier in the Israeli reserves broke into Jerusalem's Al Aksa mosque, one of Islam's principal holy places, and fired an automatic rifle into a group of praying Arabs, killing five people and wounding several dozen. This crime enraged the entire Muslim world and gave rise to a new wave of protests and strikes in occupied Arab territories. A 7-day general protest strike was launched on the orders of the Supreme Islamic Council in Jerusalem. The Muslim countries affiliated with the Islamic Conference demanded that an emergency session of the Security Council be convened.

Conflicts between the native population and the Israeli army in Jerusalem and other cities in occupied Arab territories in spring 1982 resulted in the loss of many lives.

It is noteworthy that armed settlers joined army units in taking reprisals against the native population of the occupied Arab territories. This clearly revealed the real purpose of the Israeli settlements: They are to serve as an additional means of suppression and the further colonization of Arab territories. It is no secret that M. Begin's ruling clique plans to create new militarized settlements (the number has already reached 126) and to settle 100,000 people in just the territory of the West Bank of the Jordan by 1985.

In May 1982 the Knesset decided to prohibit the future dismantling and evacuation of Israeli colonial settlements in the West Bank and Gaza Strip. By doing this, Tel Aviv took another unlawful step toward the perpetuation of existing and projected new militarized settlements in occupied Arab territories.

It is no secret that Tel Aviv's policy of brutal repression and unrestricted violence is essentially sanctioned and financed by American imperialism. The United States is not only Israel's patron, however, but is also Israel's partner in crime.

The U.S. veto in the UN Security Council of the draft resolution ordering Israel to stop violating the rights and freedom of the native population of the West Bank and Gaza Strip and the subsequent new American veto of the draft resolution condemning the terrorist act of an Israeli serviceman and Israel's terroristic and violent behavior in the occupied territories have essentially given Tel Aviv the green light for continued brutality. It is indicative that when the blood of the native Palestinians was being shed on the streets of cities and rural communities, the U.S. Government requested Congress to increase American aid to Israel to 2.5 billion dollars in fiscal 1983. This will represent 28 percent of all U.S. military aid (8.7 billion dollars) and almost 19 percent of all U.S. aid to foreign states this year (13.3 billion dollars). The resolution of a special session of the Coordinating Bureau of the nonaligned countries in Kuwait, which was attended by

delegates from more than 60 nonaligned countries and representatives from many international and regional organizations, quite categorically stressed: "The United States is fully to blame for Israel's continuous pursuit of a policy of aggression and expansion in relations with the Arab states. The strategic U.S.-Israeli alliance is detrimental to the efforts to achieve a just peace in the Middle East."

It is no coincidence that the continuous acts of Zionist terrorism and Tel Aviv's efforts to act on its new annexation ambitions are taking place at a time of direct U.S. military penetration of the Middle East under the cover of the so-called "multinational forces" in the Sinai. The American "rapid deployment force" represents their backbone.

The adventurism of the Begin government knows no bounds and could result in the most serious complications in the Middle East. This policy is a logical result of the separate Camp David bargain, which was manufactured to serve as a screen for the anti-Arab actions committed by Israel and the United States to protect the interests of imperialism and Zionism in the Middle East.

The long history of the resistance movement in the occupied territories proves that bloody terror is incapable of forcing the Palestinian Arabs to give up their inalienable right to self-determination and the creation of an independent state.

COPYRIGHT: Izdatel'stvo "Pravda". "Mirovaya ekonomika i mezhdunarodnyye otnosheniya", 1982.

8588
CSO: 1816/9

DIFFERENCES ON EAST-WEST TRADE STRAIN U.S.-W. EUROPE TIES

Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA in Russian No 6, Jun 82
(signed to press 28 May 82) pp 112-113

[Article by Yu. Andreyev: "East-West Economic Ties"; published under the general heading: "In the Scientific Council of the USSR Academy of Sciences Institute of the World Economy and International Relations; The World Economic Crisis of 1980-1982"]

[Text] East-West relations represent one of the most important elements of the current world economic situation. The USSR's economic ties with the capitalist countries, especially in Western Europe, are of practical value as well as theoretical significance. Recently, however, they have acquired particular importance. It must be said that the reasons for this can be found primarily in the dramatic deterioration of the international political situation. This deterioration has been reflected most noticeably in the USSR's economic ties with the United States.

On the political level, some Western European countries (for example, England and France) support the U.S. "sanctions" against the USSR. On the economic level, however, they have taken a different stand because they are objectively much more interested in the development of ties with the Soviet Union. The complexity of the Western European countries' position was clearly demonstrated at a conference of the Coordinating Committee on Exports to Socialist Countries (COCOM) in Paris on 19-20 January 1982. On the one hand, the Western European states agreed to expand the category of "crucial types of technology" in COCOM lists, which was one of the United States' specific aims, but on the other, their interpretation of the term "crucial types of technology" differed sharply from the American one.

Above all, the Americans want to impose a ban on the "Gas for Pipes" deal, in which the FRG, France and some other Western European countries are involved. The Western European states are objecting to this. The Europeans are quite interested in the development of ties with the USSR. This interest is based not only on historical tradition, but also on the global problems of the present day, especially the energy crisis and the problem of environmental protection. Energy problems play a prominent role. It is extremely important for Western Europe to reduce the one-sided dependence of its economy on Middle East oil and to diversify the sources of its energy supply.

Another extremely important consideration is that many thousands of Western Europeans are working to fill the orders of the Soviet Union and other socialist

countries. Although trade with the Soviet Union represents a fairly modest share of Western Europe's total trade, according to many estimates almost 2 million people are working on Soviet orders and orders from other socialist countries. These orders are being filled by around 500,000 people in the FRG, 250,000 in France and at least 150,000 in Finland. In the presence of the extremely high and still rising rate of unemployment, these figures are quite impressive.

Finally, political factors are exceptionally important: Western Europe has a special interest in the maintenance of international detente, which is connected with the development of economic cooperation and the material bases of detente.

Soviet trade with the Western European countries continued to grow rapidly in 1981. Whereas this region accounted for 75 percent of the USSR turnover with the industrially developed capitalist states in 1979, the figure was around 80 percent in 1981. Western Europe's share of Soviet trade with the industrially developed capitalist countries reached its highest point--97 percent--in 1952, after which time this share decreased, dropping to 68 percent in 1973. The small U.S. share in the 1950's was largely due to the atmosphere of "cold war."

As speakers pointed out at the November (1981) CPSU Central Committee Plenum, the stagnation or even reduction of Soviet economic ties with some capitalist countries, especially the United States, have not been caused by the Soviet Union. It favors permanent trade and economic ties with all capitalist states on an equal and mutually beneficial basis.

We should say just a few words about the commercial structure of these ties. The structure of Soviet exports is unlikely to change considerably within the near future. Not until the second half of the 1980's, after the completion of the gas project, will gas take the place of oil in Soviet exports to the West. In imports, the proportion of machines and equipment, including those from the capitalist countries, is already decreasing somewhat. In our opinion, this is an objective process, connected with the closer alignment of imports with the needs of the national economy. A slight increase in relative imports of consumer goods and foodstuffs will serve a major social and economic purpose--the satisfaction of the growing needs of the Soviet population.

As for new forms of economic cooperation, the "Gas for Pipes" project has breathed new life into compensation agreements. It has proved that this type of agreement can be developed in the future because it provides all participants with great benefits. This particularly applies to the construction of the gasline through which 40 billion cubic meters of Soviet natural gas will be pumped each year to Western Europe from the Yamal peninsula (10.5 billion to the FRG, 8.5 billion to Italy and 8 billion to France). The purchasing countries will pay for the gas with pipe and equipment for pumping stations.

Western Europe's relations with the Soviet Union will continue to develop for the better. This prediction is based on existing agreements and long-range programs for cooperation between the USSR and many Western European states.

COPYRIGHT: Izdatel'stvo "Pravda". "Mirovaya ekonomika i mezhdunarodnyye otnosheniya", 1982.

THIRD-WORLD STATES COOPERATE TO RESIST WESTERN DOMINATION

Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA in Russian No 6, Jun 82
(signed to press 28 May 82) pp 120-128

[Article by E. Khristich: "The Program of 'Collective Self-Reliance'; (Critical Analysis)"; passages rendered in all capital letters printed in boldface in source]

[Text] The concept of "collective self-reliance" has been given increasing attention in recent years by political circles in the developing countries. The concept has already moved from works by economists and political scientists to the documents of the "Group of 77" and the nonaligned movement, has acquired the features of a program of economic action and has been called one of the bases of the international strategy of development for the 1980's that was recently adopted by the United Nations. Furthermore, under the present conditions of the actual impasse in the North-South dialogue and the state of crisis that has engulfed the capitalist economy, these countries are beginning to view the program of "collective self-reliance" as an alternative method of solving development problems, and the provisions of this program are closely related to the demands for a new international economic order and supplement these demands.

The Prerequisites for the Birth of the Program and its Essential Purpose

The term "collective self-reliance" generally signifies a group of measures to expand commercial, economic, scientific and technical cooperation among the newly liberated states in order to accelerate their development and reduce their dependence on imperialist powers. The term implies concerted effort to solve problems that cannot be solved by individual developing countries or even their regional economic groups. In other words, the program was engendered by the current balance between the achievements and problems of economic decolonialization, and the latter is known to be an extremely contradictory process.

For example, it would be wrong to underestimate, and even more wrong to ignore, the obvious technical, economic and social achievements of the liberated countries during the years of their independence. Industrialization is taking place in these countries, a unified national market is being established and old patriarchal structures are crumbling. In terms of economic growth rates, some young states are far ahead of the former mother countries, and capitalism's economic periphery has now essentially turned into the most dynamic zone of the world capitalist economy. Such "traditionally colonial" branches of industry as the oil and gas, bauxite,

iron ore and insurance branches are now under partial, if not total, national control. Agrarian reforms of various types have been instituted. The economy of the developing countries is beginning to feel the effects of the technological revolution. In the sphere of foreign economic relations, the positions of national capital and the state sector are growing stronger and a program has been put forth for the establishment of a new international economic order.

These achievements were made possible largely by the changes in the balance of world class power, the climate of detente and the comprehensive development of the socialist community's economic relations with the liberated states on an equitable and mutually beneficial basis. In conjunction with the changing world energy and raw material situation, all of this has allowed the developing countries to shift the balance of their commodity exchange with developed capitalist states slightly in their own favor, limit the arbitrary practices of Western monopolies and successfully oppose imperialist dictatorial behavior in many fields of economics and politics.

There is also no question, however, that the socioeconomic progress achieved by the liberated countries does not meet the vital developmental needs of these countries or, what is more, the hopes that their people placed on independence.

It is a fact that the former colonial periphery still has not overcome its status as an exploited and inferior element of the world capitalist economy and still has to bear the burden of the consequences of the crises and inflation that have seized the world capitalist economy. The gap between the development levels of the newly liberated and industrially developed countries is still growing wider. The objectives of the UN first and second decades of development were not attained. There is growing differentiation within the group of young states in terms of basic economic indicators.

Extra-economic, colonial coercion has been replaced by primarily economic methods of the exploitation of liberated states by foreign monopolies. A neocolonial system has taken shape. Finally, it is also significant that the demands of the developing countries are being opposed by coordinated Western diplomacy.

All of these matters have been discussed in detail in Soviet economic literature and we simply wish to stress that these problems, because they are characteristic (although to differing degrees) of all liberated countries, thereby form the basis of their community of interests and, consequently, dictate the need for a collective, coordinated struggle by the developing countries against imperialism.

The acknowledgment of this fact already lay at the basis of the joint actions taken by the liberated states at the time when the nonaligned movement was born, and later at the birth of the "Group of 77," which actually serves as the movement's economic organ. In the early 1960's, the liberated countries were already taking a united stand on socioeconomic matters in the United Nations, and this allowed them to win certain victories and turn the problems of development into one of the main issues in contemporary international politics and the socioeconomic activity of the United Nations.

It is precisely this historical and political community that is the main factor cementing the unity of action in the differentiated developing world and the reason why centripetal forces in this world outweigh centrifugal ones. "The main question we must ask ourselves now, after many years of tense negotiations and insignificant successes, is the following: What can we do to strengthen our position in future negotiations?" President J. Nyerere of Tanzania said at the Arusha conference of ministers of the "Group of 77" and then answered: "We must maintain and strengthen our unity. We must continue to act in concert and see to it that none of us concludes separate, bilateral or multilateral agreements which will weaken our general position in negotiations."¹

It must be said that statements of this kind are not unique. Similar views were expressed earlier by prominent leaders of the national liberation movement, such as J. Nehru, G. A. Nasser and others. Expressing the common view of the young states at the 33d Session of the UN General Assembly, PDRY representative Ba Issa stressed that, "despite their political differences, the developing countries are aware of the benefits of solidarity and shared experience."²

It is obvious, however, that any effective coordinated policy must not only be backed up by consultations by politicians and diplomats and joint declarations, but must also rest on some kind of common organizational basis. The program of "collective self-reliance" is expected to serve as this basis. It is based primarily on the belief that liberated states' own funds and resources must be mobilized to the maximum for the needs of development as soon as theories about development financed with foreign aid turn out to be groundless.

For this purpose, the program recommends, firstly, the all-round development of economic, scientific and technical cooperation by the developing countries themselves and, secondly, a change in the current asymmetrical system of foreign economic ties in the former colonial periphery to reduce its dependence on the markets of the former mother countries, guarantee the independent institution of reforms in the young states and reduce, if not prevent, the negative effect of economic disorder in the developed capitalist countries on the economies of the young states. Finally, the program recommends the broader use of joint actions by the enterprises of the liberated countries in world markets and the coordination of national legislation for the more effective opposition of the expansion of international monopolies. As a result of the mounting disillusionment with the North-South dialogue, more appeals are being voiced in the developing countries for the institution of the provisions of the new international economic order at least in relations between the developing countries, including relations based on the program of "collective self-reliance," if the worldwide extension of this order should turn out to be impossible.

This is precisely how this program is described, although in various specific phrases, in the documents of the nonaligned movement, beginning with the third conference of the nonaligned countries in Lusaka (1970), and it is described most fully and thoroughly in the Arusha program of the "Group of 77" (1979), the decisions of the Havana conference of nonaligned countries (1979), the proceedings of the UN conference on economic cooperation between developing countries in Buenos Aires (1979) and in several other documents on economic decolonialization.

The Potential of the Developing World and the Content of the Program

What potential does the developing world have for the kind of "self-reliance" stipulated in the program? In spite of the fact that the former colonial periphery is still backward, it has great economic potential. This is the location of the world's largest raw material and fuel deposits, vast expanses of land that has undergone little geological analysis, and fertile climatic zones. The developing countries' reciprocal trade already accounts for 25 percent of their total commodity turnover. Considering the size of the population of this part of the world and its tendency to grow, we have every reason to believe that the most promising markets of the future are also located here.

Some developing countries--oil exporters--have acquired considerable financial resources. Other liberated states, particularly Brazil, Mexico, Argentina, India and Indonesia, also periodically have "surplus" capital for export. National fleets are growing in these countries, they have their own scientific and technical base and their number of national personnel is increasing. Brazil, Mexico, Venezuela, India, Pakistan, Singapore and the Philippines are already exporting engineering services and technology. If the proposals of the Third UN Conference on the Law of the Sea are implemented, around 40 percent of the world ocean and much of the mineral wealth of the continental shelf will be under the national jurisdiction of the developing countries.

Finally, 25 regional economic associations are operating in the developing world. Some experience in subregional and regional integration has been accumulated here, particularly in Africa and Latin America, as well as the activity of raw material export associations, although it does not lend itself to a simple assessment.

In other words, the program of "collective self-reliance," certainly does not represent any kind of utopia, but is based on quite definite material potential. "All of the keys are in our hands," someone said in this connection at a UNITAR [United Nations Institute for Training and Research] seminar. Collective reliance and cooperation represent the main lever, "which we must immediately...learn to operate."³ It is no coincidence that the documents of the September 1976 conference on economic cooperation by developing countries (in Mexico)--the first dealing exclusively with this topic--called "collective reliance" a "historical imperative" for the developing countries in the struggle for the goals they have set themselves.

What specific proposals does the program contain? How does it propose to accomplish economic cooperation between developing countries? The most important measures recommended in the program, for implementation in various spheres, are the following:

- 1) ECONOMIC COOPERATION. This is the key element in the strategy of "collective self-reliance." This cooperation must be planned and carried out by the liberated states on the subregional, regional and interregional levels.
- 2) TRADE. Existing subregional, regional and interregional systems of preferences must be reinforced and unified. The developing countries must create a global

system of trade preferences, based on the principles of mutual benefit with a view to corresponding levels of economic and industrial development, trade structures and trade conditions in various countries.

STATE TRADE ORGANIZATIONS must cooperate in the training of personnel on the national, regional and subregional levels; a handbook of state trade organizations in the developing countries must be compiled to serve as a means of stimulating mutual contacts.

MULTINATIONAL ENTERPRISES must be created. They will be directly involved in the shipment and sale of export products (both raw materials and finished goods) and will represent a counterbalance to Western transnational corporations.

3) CURRENCY AND FINANCE. Subregional agreements must be concluded on payments, and later on mutual credit, for the purpose of maintaining trade between developing countries.

The developing countries should establish their own international bank if the need for this institution should arise in the distant future. The broader mutual exchange of information on currency and financial matters must be organized.

4) INDUSTRIAL AND AGRICULTURAL PRODUCTION. The developing countries must adopt the appropriate programs to expand and diversify food production.

5) MARITIME TRANSPORT. Regional associations of shipowners and joint enterprises must be established in the spheres of maritime transport and shipbuilding.

6) TECHNOLOGY. The activities of regional, subregional and national centers for the development and transfer of technology must be coordinated. Cooperation in the training and exchange of personnel must be organized.

7) SPECIAL NON-RECIPROCAL MEASURES MUST BE TAKEN FOR THE BENEFIT OF THE LEAST DEVELOPED COUNTRIES, developing countries with no access to the sea and island states.⁴

Therefore, the program includes both specific measures dictated by the peculiar problems of the developing countries and what could be called "defensive" actions, aimed at protecting them against possible subversive activity by imperialism. The main thing, however, is that this list of measures is not in any sense merely a list of good wishes. Many of them are already being carried out. For example, 26 associations of raw material producers have already been established (in 1981), and talks have begun on the creation of a system of global preferences. The first multinational enterprises have come into being, particularly in Latin America. Many bilateral and multilateral agreements have been concluded by state trade organizations. Regional development banks and technology transfer centers have been established or are being established in Latin America, Asia and Africa. A number of payment unions are functioning on the regional and subregional levels, and countries are receiving considerable economic assistance from the petroleum-exporting states. A mutual job placement system is being created for the placement of specialists to reduce the scales of the "brain drain" caused by specialists who emigrate to developed capitalist states.

Of course, not all of these measures have produced the anticipated results from the very beginning (the reasons will be discussed below). Nevertheless, they are being implemented, even if this is not always done in the most consistent manner. Furthermore, UN organs are now working on these measures along with the liberated states. Economic cooperation between developing countries was the subject of several resolutions adopted at recent sessions of the UN General Assembly.

A prominent role in the promotion of economic cooperation between developing countries has been assigned to UNCTAD and regional UN economic commissions. In 1976 an intergovernmental Committee on Economic Cooperation Among Developing Countries (CECDC) was formed as part of UNCTAD. It set priorities and began a number of studies on such problems as the system of mutual trade preferences, cooperation between state trade organizations, multinational sales enterprises (covering around 90 commodities, one-third of which are finished items), multinational production enterprises (including enterprises for the production of fertilizer, rubber and paper), export credit guarantees, technology transfers, mutual capital investments, transportation, insurance, aid to economic groups and associations of raw material producers, etc.

Economic cooperation among developing countries is also being given more attention in the operational programs of the UN Economic and Social Commission for Asia and the Pacific (ESCAP) and the UN economic commissions for Africa (ECA), Latin America (ECLA) and Western Asia (ECWA). Most of this attention is focused on the planning and organization of projects for subregional and regional cooperation. In particular, regional centers for technology transfers and natural resource development have been organized, along with academic and research institutes; intergovernmental plans are being carried out for the study of river basins, the construction of regional highways and railways and the creation of communication systems. Economic groups and associations of raw material producers are receiving assistance.

Technical cooperation among developing countries is regarded as an important area and "key instrument" of economic cooperation. In 1978 a special UN conference on technical cooperation among developing countries was held in Buenos Aires. The resulting plan of action contained recommendations regarding the exchange of experience, the joint use of the technical resources of developing countries and the reinforcement of their scientific and technical base.

Within the context of this activity, the developing countries have issued several joint commands to the Western countries regarding the financial and technical support of the economic groups and multinational enterprises of developing countries, the institution of measures to liberalize trade and expand their exports, the facilitation of their access to the capital markets of the Western states, aid in the reinforcement of the capital markets of developing countries, etc.

Plans for economic cooperation among developing countries contain appeals for technical assistance from the socialist countries in the construction of state foreign trade enterprises in the newly liberated countries and assistance in the development of relations between CEMA and the regional economic associations of the developing countries.

Internal Conflicts

Our analysis of the "collective self-reliance" program would be onesided if it did not explain the reasons for its limited potential and its inconsistent and contradictory nature in addition to discussing the factors determining its objective nature and fundamental feasibility. These reasons can be found both in the present socioeconomic conditions under which the movement for economic decolonialization is developing and in the multistructural, transitional nature of the economic structures in former colonial and dependent countries. Furthermore, it is significant that, although the importance of external factors to the fate of the "collective self-reliance" program is indisputable, the main condition for its success lies primarily within the developing world and consists in the degree to which the liberated countries are ready and willing to act on the program.

The diverging views of supporters of "collective self-reliance" in the developing countries with regard to the ways of achieving it are striking in this connection. There are two viewpoints, or two currents.

The supporters of the first current, which could be called isolationist and maximalist, believe that the essence of "collective self-reliance" consists in the economic separation of the liberated countries from the "rich world" (particularly if it does not comply with the demands for a new national economic order), the development of these countries according to their own "endogenous" pattern, which includes the use of "intermediate technology," measures to prevent urban growth, local self-sufficiency and other negative features, and dialogue with the "rich world" in the language of raw material cartels. Virtually no distinctions are made between imperialist states and socialist countries: All of them are automatically characterized as part of the "rich" North. The supporters of this current include some African economists of the leftist radical and petty bourgeois nationalist schools and several politicians from the oil-exporting countries. It is clear that both Maoism and belligerent Islamic currents have "contributed" to this line of thinking. It is also striking that this current reflects the reaction of non-proletarian strata to the contradictions and problems engendered by the development of capitalism in the developing countries. Some of the characteristic features of the ideas engendered in this way are their eclecticism, their extra-historical nature and, what is most important, their lack of any serious economic validity. This is attested to, incidentally, by the experience of countries governed by individuals expressing these views. Beijing's autarchic concepts have also been refuted by experience.

The majority of those who support the "collective self-reliance" program, however, take a more realistic stance. They feel that the economic isolation of the developing world is not justified, would be virtually impossible and would injure the cause of development. For this reason, they are advising not the curtailment of foreign ties, but their diversification--that is, they advise a search for other sources of commodities, capital and technology for the purposes of development and economic cooperation among developing countries. They include the state sector of the developed capitalist countries, their small and medium-sized businesses and, what is particularly indicative, the socialist states among these sources.

This interpretation of the concept of "collective self-reliance" is predominant in the countries with a socialist orientation, where people have learned through their own experience about the advantages of cooperation with the socialist world.

Considerable differences of opinion also come to light when the developing countries begin work on the program. The 26th CPSU Congress statement that the leading tendency in the zone of the newly liberated states is their differentiation, both political and socioeconomic, provides a key to these deep-seated centrifugal forces. "These countries are quite different," L. I. Brezhnev stressed in his speech at the congress. "Some of them took the revolutionary democratic path after liberation. Capitalist relations were established in others. Some are conducting a truly independent policy and others are following in the wake of imperialist policy. In short, it is a landscape distinguished by considerable variety."

This variety, in turn, is of a multifaceted nature. The developing countries already differ widely in terms of natural and geographic features. The absolute majority are littoral states, but some are islands and intracontinental countries, and this has the most direct effect on the policy of each individual state, the atmosphere in the "Group of 77" and, consequently, the results of its activity. For example, at the Third UN Conference on the Law of the Sea, the littoral countries were mainly in favor of individual control over the resources of the economic zone and shelf, while the intracontinental states favored multilateral access to these resources. Some states favored a license system of seabed exploitation beyond the continental shelf, while others favored a contract system and still others were most worried by the prospect that the extraction of minerals beyond the shelf would have a negative effect on "land" exports of the same raw materials. Although the position taken by the United States was the main obstacle preventing the conclusion of the appropriate convention, this position was made possible largely by the friction within the "Group of 77."

In addition to all this, even developing countries in a single region usually differ considerably from one another in terms of geological conditions and, above all, in terms of mineral deposits. Obviously, this diversity can serve as one of the material prerequisites for their cooperation. Under the conditions of a monoculture economy geared for export, however, it is more likely to give rise to a community of interests among producers of similar raw materials than to bring about the convergence of countries in a particular region. Not one of the existing associations of raw material producers, for example, has established contacts with regional groups of liberated states, and the activities of OPEC created some problems that have had a more severe effect on several developing countries than on developed states.

The legacy of the past cannot be disregarded either. The arbitrary boundaries of colonial divisions broke up many ethnic groups and potentially unified economic regions. This is the reason for some of the hostile relations between certain developing countries and the artificial inhibition of the development of economic ties between neighboring states. The smoldering embers of unextinguished military conflicts in some parts of the developing world and the rapid militarization of many states are not promoting collective action by developing countries in the economic and political spheres either.

The basis of "collective self-reliance" is also being eroded by the uneven development of liberated countries, which is now even more pronounced than the overall gap between the developed and developing worlds. It has a negative effect on the regional and subregional levels, causing small countries to either be afraid of entering into integration associations with large countries or become the economic and political victims of these large countries after they have joined these associations. In other cases, this integration does not go beyond customs unions or zones of free trade, which cannot stimulate development effectively due to the absence of an adequate basis for this integration. Finally, under certain political conditions, the very process of integration can cause conflicts to break out between partners with unequal development levels. This is attested to by the experience of the short-lived East African economic community.

On the intercontinental level the basic inequality in degrees of development is impeding the realization of "collective self-reliance" to perhaps an even greater extent than on the subregional and regional levels. This is particularly apparent in the least developed countries. This aspect of the concept has not been worked out as yet and has not gone beyond general political declarations about the need to give the least developed countries advance or extra privileges. The demands for these privileges, however, are addressed primarily to the developed capitalist, socialist and oil-exporting states and say nothing definite about the donor obligations of the developing countries which are relatively the most advanced in the economic respect--as, for example, the "new industrial states." The problem is now so acute that when the preparations were being made for the special UN conference on the least developed countries (Paris, 1981), no one knew for some time whether the "Group of 77" would act as a single entity at the conference or would break up into groups of states differing in terms of development levels.

External Obstacles

Whereas the first group of difficulties impeding "collective self-reliance" can be found, as we have seen, in the developing countries themselves, the second group consists of external obstacles stemming from the involvement of these countries in the world capitalist economy.

The most significant of these obstacles is the huge quantity of foreign capital invested in the economies of these countries. Despite its partial nationalization, it still holds several commanding positions and keeps these countries from adhering consistently to one of the main principles of "collective self-reliance"--the establishment of the complete and inalienable sovereignty of the young states over their own natural resources and economic activity. These are not the only negative consequences of the activity of foreign capital. In particular, it is possible that this capital could derive most of the benefit from the economic convergence of the developing countries and could thereby reverse the directions and goals of "collective self-reliance." Furthermore, although foreign investments do contribute in some way to the economic growth of the liberated states, they serve as a field of gravity attracting precisely the resources which these states hope to unite and thereby cause "collective self-reliance" to lose much of its material foundation.

The vehicles of these capital investments--the multinational corporations--also have a strong impact on the attempts to realize this "self-reliance," particularly

in view of the fact that the previous contempt for foreign private capital in many developing countries has been replaced with greater tolerance in recent years. We could mention just a few of the aspects of multinational corporate activities which either complicate the realization of "collective self-reliance" directly or do this indirectly by setting some liberated states in opposition to others. Above all, these include the maintenance of imbalances in the foreign trade of the developing countries, which are supposed to be eliminated, or at least reduced, by the program of economic cooperation among developing countries. Multinational corporations buy up their export resources, control their transportation network and commercial exchanges, etc. Some commodities, such as nonferrous metals, coffee and cocoa, are still distributed even among developing countries through the London and New York commercial exchanges. The development of reciprocal trade by liberated states is also being complicated by the restrictive practices of international monopolies in the sphere of commodity exchange and technology transfers. Many license agreements contain articles which expressly prohibit the export of industrial products to other developing countries, including neighboring states, or to partners in integration groups. It is no coincidence that one of the Andean Group's objectives was the collective resistance of these restrictive practices in the transfer of technology, and now this matter is the subject of earnest discussions in ASEAN circles.

The activities of transnational banks also set up obstacles in the way of "collective self-reliance." Some of their funds are being sent to the "new industrial states" and are bypassing the least developed countries and states with progressive regimes, which only aggravates economic differences in the developing world. The same foreign bank network is attracting large sums of petrodollars which could otherwise be spent in the developing countries, including funds that could be used for the needs of "collective self-reliance." Furthermore, the operations of the branches of transnational banks often stifle the developing countries' own budding credit and financial network, which is supposed to serve their economic cooperation.

Finally, because the developing countries are still dependent on foreign capital and technology, they often compete with one another for their acquisition, frequently violating the standards of their own legislation and the rules of regional and subregional associations, and this also weakens their unity.

Imperialist diplomacy is also conducting a destabilizing policy toward "collective self-reliance." The West objects to the very right of the liberated states to plan and institute such measures "without preliminary consultations with concerned third countries"--that is, without allowing Western experts and politicians to take part in the planning--on the pretext that "collective self-reliance" in an "interdependent" world could inflict "unilateral harm" on the economies of the Western states. Therefore, special actions are planned and taken to undermine the program. These are mainly attempts to organize talks on North-South problems "on a limited scale," with only a few of the developing countries participating. For example, only 16 developing countries were represented at the North-South talks in Paris in the first half of the 1970's, and only 14 were represented at the Cancun meeting. According to OECD Secretary General E. van Lennep, the West could choose to use the same tactics in the projected "global talks."⁵

International financial institutes controlled by the West, especially the IBRD and IMF, are also being called upon for assistance in the implementation of this line.

They are refusing to credit undertakings and projects planned within the "collective self-reliance" framework. In the same way, GATT is trying to acquire direct control over the talks on the system of mutual preferences among developing countries. The policy of the common market is also helping to disunite the ranks of the liberated states, particularly by means of the Lome conventions it concluded with the ACP countries. The second of these conventions, signed in 1979, offers member developing countries slightly more advantageous terms of commercial exchange, thereby setting the states associated with the EEC in opposition to the rest of the developing world, which undermines possibilities for regional economic integration and for the "collective self-reliance" of the young states.

Social Factors

The efforts to carry out the program are also being influenced by a third group of factors--social factors. The developing states which choose different patterns of social development have different ideas about the nature, purpose and meaning of "collective self-reliance." In countries where capitalist relations have been established, this is "reliance" primarily on private enterprise and the market mechanism. Influential circles in these countries are connected by common interests with multinational corporations and foreign capital.

"Collective self-reliance" is deformed by the development of a local bourgeoisie, which engenders a "mini-monopolistic" segment. The very zone of "reliance" is viewed by this stratum as something like a conservatory for the exploitation of people in other developing countries. This is attested to by the increasing outflow of private capital from several liberated states (Brazil, Mexico, India, the Philippines, Malaysia and others). In some cases, local monopolies export capital to the detriment of national interests, at times when the governments of young states have to resort to the full-scale attraction of investments from abroad. Guided by selfish motives, national capital often employs monopolistic practices in trade, thereby instilling the relations between developing countries with precisely the elements they are opposing in the struggle for a new international order.

"Collective self-reliance" is being resisted by the exploitative classes representing pre-capitalist structures, because any kind of economic or social progress is dangerous for them. It is also being impeded by the prevalence of traditional economic forms, including small-scale commercial production. Other factors also have an effect, including the force of inertia in human mental processes, religious prejudices, particularly if the population of the integrating countries professes various religions, and the extreme nationalism of some social circles.

It is precisely for this reason that the results of economic cooperation among developing countries are often the opposite of those anticipated: Developmental differences become more pronounced and elements of sub-imperialism make their way into their interrelations. As a result, the most urgent social problems are exacerbated rather than alleviated; there is an increase in poverty, unemployment and inequality in income distribution.

Finally, certain technical-organizational problems arise during the realization of "collective self-reliance." Regional and subregional integration is often regarded

as its prototype. As yet, however, there are not even two identical regional associations, and machinery which operates on the regional and subregional levels is not always suitable on the intercontinental level. What is more, the eradication of regional economic boundaries in favor of measures undertaken within the "collective self-reliance" framework sometimes causes many countries to worry about the economic expansion of stronger developing states and motivates them to maintain their earlier, limited integration framework. This is how regional integration groups often change from "bricks" in the common building of "self-reliance" into seats of economic isolation.

A positive plan of action, in which "collective self-reliance" is associated with the general movement for economic decolonialization, was proposed at the Havana conference of nonaligned countries. It envisages the creation of a solidarity fund by nonaligned countries for economic development, a council uniting associations of raw material producers and exporters, a nonaligned movement information center on multinational corporations and other collective organs. The plan adopted in Havana lists several specific areas of economic and social development in which cooperation and integration can be accomplished: the extraction and use of raw materials, trade, transportation, industrialization, scientific and technical development, insurance, tourism, sports, the peaceful use of nuclear power and many others.

The so-called project approach to economic cooperation among developing countries has recently been the topic of much discussion. It will consist in the construction of joint enterprises by two or more countries without the obligatory creation of any kind of comprehensive or ambitious integration mechanism. This approach will afford opportunities for production cooperation among countries which are not ready for higher forms of economic convergence and will lay the basis for the future transfer to these levels.

What is more, it is becoming increasingly apparent that "collective self-reliance" and all of its different varieties cannot and should not be only a "technical set" of means and mechanisms of economic cooperation, unconnected with social aspects of development. In line with this, many specialists in the young states view progressive socioeconomic changes in their countries not only as goals, but also as prerequisites for the realization of "collective self-reliance." In this connection, one of their conclusions is of interest and warrants consideration. This is the conclusion that economic cooperation and integration have more chance of success in countries with similar socioeconomic and political aims, even if they are located in different hemispheres, while even the geographic proximity and intersupplementary economies of neighboring states with hostile interrelations or differing socioeconomic structures might not be enough for the creation of a stable integration complex.

Therefore, it is still too early to make any kind of unequivocal statements about the theory and practice of "collective self-reliance." One thing is clear: The supporters of "collective self-reliance" are realizing that it can only be accomplished in an atmosphere of lasting peace, international security and the observance of democratic principles in relations between any states. The struggle to implement the program which is backed up by the objectively anti-imperialist potential of the movement for "collective self-reliance" could promote the reorganization

of international economic relations and progressive democratic reforms in the developing world.

Proceeding from this belief, the socialist states view the movement for "collective self-reliance" as a reality of contemporary international life, support the progressive undertakings and demands of the developing countries which point toward economic decolonialization and regard the proposal of this program as a sovereign affair of the liberated states and another sign of their independent role in world affairs.

FOOTNOTES

1. "The Arusha Program of Collective Self-Reliance and the Negotiation Framework," UNCTAD V, TD/236, 28 February 1979, Manila, 1979, Annex II, p 6.
2. Quoted in: E. Ye. Obminskiy, "Gruppa 77. Mnogostoronnaya ekonomiceskaya diplomatiya razvivayushchikhsya stran" [The Group of 77. The Multilateral Economic Diplomacy of the Developing Countries], Moscow, 1981, p 74.
3. UNITAR /CEESTEM/ Conf. A-1, 29 May 1980, p 13.
4. "The Arusha Program," pp 103, 9, 10, 11, 12, 17, 44, 76, 13.
5. THE OECD OBSERVER, November 1980, p 4.

COPYRIGHT: Izdatel'stvo "Pravda". "Mirovaya ekonomika i mezhdunarodnyye otnosheniya", 1982.

8588

CSO: 1816/9

HISTORICAL BACKGROUND TO FALKLANDS DISPUTE CHRONICLED

Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA in Russian No 6, Jun 82
(signed to press 28 May 82) pp 129-134

[Article by Yu. Barsegov and L. Imnadze: "The Falkland (Malvinas) Islands: An Old Dispute in a New Set of Circumstances"]

[Text] The old dispute between Argentina and Great Britain over the Falkland (Malvinas) Islands, as well as over the administratively related island of South Georgia and the uninhabited South Sandwich Islands, broke out once again at the end of March 1982.

This group of islands is located in the southwestern Atlantic, approximately 500 kilometers from the coast of Argentina and 12,000 kilometers from England. It has an area of around 12,000 square kilometers and a population that is now around 2,000 and has displayed a tendency to decrease. The Argentine Armed Forces occupied disputed territories and drove the English governor and marines out of the area. The British Government responded by sending two-thirds of the British Navy to the islands to reinstate its sovereignty in the territory. In this way, Argentina and Great Britain entered into a state of military confrontation.

The Anglo-Argentine dispute over the Falklands (or, as the Argentines call them, the Malvinas) spans a century and a half. Both sides cite the discovery and effective occupation of the islands by means of conquest and administrative organization as grounds for their rights to the islands.

The English say that the islands were discovered in 1592 by J. Davis. In 1690 English Captain J. Strong discovered the sound separating the two main islands and named it after Lord Falkland. This was later recorded as the name of the entire group of islands. The Argentines believe that the islands were discovered in 1920 by E. Gomez, a Spaniard who was a member of F. Magellan's expedition. On a map drawn up by D. Rivera in 1526 these islands are depicted with the name Sanson. According to the Argentine side, the English arrived much later than the Spanish, in 1690, and renamed the islands.

The important strategic location of the islands, especially for that time, because it allows the owner to control sea lanes connecting the Atlantic with the Pacific, gave rise to keen rivalry for their possession among Spain, England and France. In 1764 the French occupied the islands and founded their colony on the east island.

In January of the next year, 1765, the British squadron of Commodore J. Byron approached the shores of the islands. Landing on the western island, Byron laid claim to the territory in the name of the king of England "by right of discovery," although the island had been declared a possession of the French crown the year before, founded Port Egmont and left an English garrison there. After this, the English began to consider how they might liquidate the French settlement on the islands. France did not insist on its "right" to the islands and signed them over to Spain in 1766 for 25,000 pounds sterling.

Colonists from Spain's South American possessions began to move to the Malvinas, as the Spaniards called them. Later, when a Spanish expedition from Buenos Aires occupied Port Egmont and captured the English garrison in 1770, England and Spain were on the verge of war. France's failure to support Spain gave the English a chance to regain their position for some time in 1771. The dispute over sovereignty, however, remained unresolved.

In 1774 Great Britain left the Falkland Islands and they were acknowledged to be under Spanish sovereignty in accordance with a secret Spanish-British agreement. The Argentines later cited this as proof that England's claims were invalid. In their opinion, at the time when Argentina won its independence in 1816 the islands belonged to Spain and therefore passed to the ownership of Argentina at that time. "When these provinces¹ escaped the authority of the mother country as a result of the glorious revolution of 25 May 1810," an Argentine government decree said, "Spain actually owned the Malvinas Islands and all other islands around Cape Horn..., justifying its possession by the right of prior occupation with the consent of the main European sea powers and by the fact that they were part of the continental territory making up the vice-regency of Buenos Aires, which was independent of the Spanish Government. On these grounds, the government of the republic took over the rights of the mother country and officially took possession of these islands, their ports and coastline, although circumstances did not permit it to give this part of the republic the kind of attention and concern it warrants by virtue of its significance."²

Argentina tried to reinforce its legal title with the effective occupation of the Malvinas, which were put under the control of a military commandant in 1829. It did not govern the islands for long, however. A fateful role in their destiny was played by the United States, which was striving, like England, to gain control over sea lanes. In 1831, as a result of a punitive U.S. expedition led by naval officer Duncan, the Americans landed on Soledad, the Argentine garrison was seized, the fort was destroyed, the colonists were scattered and the archipelago was therefore left defenseless against the threat of occupation by England. As an Argentine envoy pointed out in a memo to the U.S. secretary of state on 23 September 1884, "Duncan's raid was not only an unprovoked attack on a friendly nation, not to mention an unarmed and relatively weak one, but also...the reason for a new European conquest in America, justified by a diplomatic representative of the United States in a note submitted to the Argentine Government on 10 July 1832."³

Great Britain took advantage of the results of the U.S. military action. After expressing a "formal" protest against Argentine claims to the islands in December 1832, the British Government sent naval ships there. The English occupied the islands and drove the remaining Argentine soldiers and settlers out of Soledad.

The Argentine Government did not recognize the seizure of the islands and issued a definite protest to England.⁴ Its ambassador in London, noting that the Argentine title to the territory was based on "prior occupation, exploration and formal possession" and on "open and inviolable possession for half a century," described the behavior of the English as robbery.⁵

Since that time, for a century and a half now, Argentina has not recognized the English claim to the islands and has continued to regard them as its own national territory.⁶ It has made use of every opportunity to reaffirm this and has insisted, through diplomatic channels, on the return of the islands at every appropriate moment. Argentina maintains that it is the Spanish empire's legal heir in South America and that the islands seized by England should therefore be returned to Argentina.

Argentina could be regarded as Spain's legal heir to the islands in accordance with a principle recognized in this part of the world, according to which the boundaries of several Latin American states were the administrative boundaries of Spanish colonial provinces in South America.

The territorial conflict between Argentina and England has alternately died down and broken out with renewed strength. The situation was particularly tense in 1946-1948. Taking advantage of a 1947 conference of the American countries in Rio de Janeiro, Argentina reaffirmed its claims to the Malvinas and to part of Antarctica. It also tried to use the inter-American committee on European possessions, created at a 1948 conference in Bogota, for this purpose, but its many years of efforts to reunite the disputed territories were unproductive.

The question of the ownership of the Falklands (Malvinas) was raised by Argentina in the United Nations. In 1963 the General Assembly included the islands on the list of territories subject to decolonialization, and in 1965 it adopted resolution 2065/XX, ordering the disputing parties to begin talks without delay to settle the question of sovereignty by peaceful means in accordance with the fundamental principles of international law recorded in the UN Charter and with a view to the interests of the inhabitants of the islands. In this resolution, as well as others adopted by the General Assembly in 1973 and 1976, the settlement of the Anglo-Argentine territorial dispute is regarded as part of the process of the complete and final eradication of colonialism. Resolution 3160/XXVIII of 14 December 1973 contains a direct appeal to the governments of Argentina and the United Kingdom for immediate talks "to put an end to the colonial situation."

During the course of the Anglo-Argentine talks, Great Britain once proposed a plebiscite, on the pretext that the population of the islands should exercise the right of self-determination, during which the inhabitants would decide the question of the ownership of the islands. London favored this approach because most of the inhabitants are people of British extraction who want to maintain political ties with Great Britain.

Argentina rejected the idea of the plebiscite. In view of the fact that the English had substantiated this proposal by making references to the 1965 resolution of the UN General Assembly and, on a more general level, the 1960 General Assembly Declaration on the Granting of Independence to Colonial Countries and

Peoples, the Argentine Government repeatedly set forth its interpretation of their provisions.⁷ It was pointed out that the 1965 resolution demanded the settlement of the prolonged dispute with a view to the interests of the inhabitants, and not to their desire for, or consent to, annexation by Argentina. In connection with this, the Argentine Ministry of Foreign Relations announced the following, for example, in fall 1977: "Any consultations the British side wants to conduct with the inhabitants of the Malvinas will be the affair of only that side and will not imply any participation by Argentina in them."

The Argentine Government announced that either the principle of self-determination or the principle of territorial integrity can be applied in each specific case pertaining to decolonization. Article 6 of the Declaration on the Granting of Independence to Colonial Countries and Peoples says: "Any attempt to partially or completely undermine the national unity and territorial integrity of a country is contrary to the goals and principles of the United Nations Charter." The Argentine Government believed that the principle of territorial integrity should be given priority over the principle of self-determination in a case involving the decolonialization of a territory seized from a state as a result of a colonial conquest.

The talks between Argentina and Great Britain have been going on intermittently since the second half of the 1960's. There is reason to believe that the English Government delayed the settlement of the dispute. Nevertheless, an agreement was concluded in 1971 to establish regular sea and air connections between the islands and Argentina, allowing the inhabitants of the archipelago to enter this country freely. The 1974 agreement promoted the development of trade between the islands and Argentina.

The situation changed radically, however, after it had been suggested that the continental shelf of the Falklands (Malvinas) was extremely rich in oil and other mineral resources. An English mission which visited the Falklands at the end of 1975 concluded that the discovery of oil deposits in the disputed region would be "tantamount to the birth of a new Kuwait." According to the Geological Survey of the United States, which has displayed great interest in the archipelago's resources, an "oil lake," which might contain 200 billion barrels, stretches from the coast of Argentina through the islands and farther to the south. According to other sources, oil deposits here are 13 times as great as the oil resources of the North Sea. This was reported, in particular, by England's DAILY MAIL.

In connection with this, England took stronger steps to secure its possessions and took a more rigid stand in the talks with Argentina. The old dispute acquired new features.

Oil monopolies, including American firms, began to request oil leases in the region, and the Legislative Council of the Falkland (Malvinas) Islands insisted on their issuance. Argentina issued a resolute protest against this, stating that these were the resources of the Argentine continental shelf, on which the disputed archipelago is located.

At the end of 1975 the British Government sent the abovementioned mission to Port Stanley to study the economic potential of the Malvinas (Falklands), particularly the shelf, and the possibility of using this potential. The Argentine Government

regarded this, as well as the appearance of a British research vessel in the region of the continental shelf, as a provocation. On 13 January 1976 the British ambassador was deported from Buenos Aires, the talks were cut off and the old dispute broke out again in a more acute form.

Direct contacts between the conflicting parties were resumed in March 1977. Diplomatic relations were later resumed on the ambassadorial level and several rounds of negotiations were conducted to settle the territorial dispute. The content of these talks is of definite interest.

London proposed the gradual transfer of the archipelago to Argentine sovereignty, but only on the condition that the islands be leased, like Hong Kong, to England for 100 years. Although the islands themselves are still of considerable strategic and economic value (they are rich in peat and have a well-developed sheepbreeding industry--the herd numbers over 650,000), the natural resources of the adjacent waters and, above all, the shelf oil deposits, as well as the biological resources of the 200-mile economic zone, are the primary consideration. The Argentine Government interpreted the English demands as an infringement of its sovereignty and an insult to its national dignity and rejected them.

The presumed oil deposits on the continental shelf of the Falkland (Malvinas) Islands are exactly what the English and American monopolies want. Other marine resources, whose possession will depend on the ownership of the islands, and the biological resources of the vast coastal region are also of some importance in the dispute. The prospect of using the world's largest algae plantations is also a definite consideration.

As we know, virtually all littoral states acquired 200-mile fishing and economic zones in recent years. The idea of an exclusive economic zone in which the littoral state exercises sovereign rights and jurisdiction with regard to the prospecting, extraction, preservation and management of natural resources, was recorded in the draft comprehensive pact adopted by the Third UN Conference on the Law of the Sea. According to existing international law, the littoral states also have sovereign rights to the mineral resources of the vast regions of the continental shelf and, furthermore, according to the abovementioned pact, the outer boundary of the national shelf can be up to 350 miles from the shore (if the outer boundary of the underwater continental border is located more than 200 miles from shore).

Consequently, when the dispute is settled, the territorial sovereign will have the right to the vast and, as noted above, oil-rich shelf region. In addition, islands like these could claim a separate economic zone. This, in turn, would signify the extension of sovereign rights to the resources of huge areas of the South Atlantic. As early as 1978, the English Government announced its plan to establish a 200-mile economic zone around the Falklands (Malvinas) and award the British Petroleum company a concession to work the oil deposits on the continental shelf.

With a view to the particular interest in unimpeded access to the resource potential of the continental shelf and coastal zone of the islands, Great Britain proposed something like a condominium, the joint possession of the islands or, more precisely, the joint exploitation of their natural resources by England and Argentina. Far from all of the English supported this idea, however. Of course,

the loudest objections were voiced by the most conservative circles--groups with imperial ambitions. The reason is that they associate the problem of the Falkland (Malvinas) Islands and the related South Sandwich Islands and South Georgia with the problem of the claims of several states to sovereignty in Antarctica. "The sovereignty dispute over the Falkland Islands is directly related to the Antarctic problems," wrote F. Auburn, Australian expert on international law and author of a special study of Antarctic law.⁸

Although the investigation of territorial claims to Antarctica lies beyond the scope of this article, we must underscore the fundamental premise that there are no legal grounds for the use of any principles, including geographic ones, to validate claims to Antarctic regions. In general, there is absolutely no justification for the extension of the sovereignty of any state to Antarctica--a region with absolutely unique geographic, natural and climatic conditions which are of great significance to all mankind.

As we know, Antarctic law is governed by the Antarctic Treaty of 1959, which stipulated that Antarctica would be used for peaceful purposes only and which secured the freedom of scientific investigation in this region. An analysis of the provisions of the treaty indicates that the prior territorial claims of several countries have at least been "frozen" for the duration of the treaty: They are not recognized, although they are not formally refuted either. Besides this, no new claims to territorial sovereignty in Antarctica can be asserted and no existing claims can be enlarged while the treaty is in force.

Great Britain was able to involve its EEC partners in the conflict over the islands. These countries gave in to the English Government's pressure and announced a temporary embargo on imports from Argentina. In connection with this, the Argentine Government declared that "this is the first time the European Economic Community has taken such a measure, and it is directed against a state which is one of the nonaligned countries, for which it represents an astounding precedent and indicates what they might expect if their efforts to protect their own legal national interests restrict the interests of the EEC countries."

The role of the United States in this conflict warrants special discussion. In the past, Washington pursued a policy in this area which, as E. Whittaker wrote, "irritated Buenos Aires without pleasing London." Taking advantage of the prolonged dispute between England and Argentina over the Falklands (Malvinas), the United States tried to strengthen its own influence in this region. This line was based on the "Monroe Doctrine," which Washington has always interpreted to mean: "America for the United States."

The United States' intentions became quite clear when a final act was signed at a conference of foreign ministers of the American republics on 30 July 1940 in Havana. It contained a resolution known as the "Havana Act of Provisional Administration of the European Colonies and Possessions on the American Continent," envisaging the creation of an inter-American territorial administrative commission. In view of the fact that the leading role in the commission was played by the United States, the control over the territory of the former European colonies, which was supposed to be inter-American, was essentially control by the United States. For this reason, Argentina was already rejecting the idea of putting the islands under inter-American control even then.

The United States was trying to strengthen its influence in the region of the islands primarily because of their strategic location, allowing for control over sea lanes from the Atlantic to the Pacific. "The Pentagon has considered the establishment of its own military base on the Falklands, taking advantage of the conflict between the two countries for this purpose," reported CORREO BRASILIENSI, which also noted that the United States was trying to use the dispute between Argentina and England to strengthen its own position in the South Atlantic. A State Department spokesman announced that the United States had "asked Argentina to immediately cease hostilities and withdraw its armed forces from the islands." At the same time, Washington was essentially helping London prepare for broad-scale hostilities against Argentina. For example, the U.S. Government authorized British Air Force planes to land and refuel at an American Air Force base on Ascension Island, located in the Atlantic halfway between England and the Falklands (Malvinas). The English Navy received information about Argentine ship movements, part of which was obtained with the aid of U.S. reconnaissance satellites.

Washington first tried to assume the role of the "middleman" in this dispute whose outcome was of definite interest to it. The United States hoped to secure its own interests in the South Atlantic regardless of the outcome. Alexander Haig's proposal that a "tripartite" administration be established on the islands with U.S. participation left no doubts about the United States' actual intentions. It appeared that U.S. imperialism, in an alliance with the British variety, wanted to teach a "lesson" to all of the developing countries.

In essence, the United States took England's side in the fight against Argentina when it supplied English troops with fuel, tanker aircraft, military equipment and, as mentioned above, intelligence. By openly taking London's side and thereby effectively encouraging England to resolve the conflict by military means, Washington, as was pointed out at the time of the English invasion of the Falklands (Malvinas), is also to blame for the creation of a situation endangering international peace and security.

It is obvious, however, that neither the "mediation" of an interested imperialist power nor the hostilities committed by England can serve as a basis for the effective peaceful settlement of the Anglo-Argentine conflict. The Security Council expressed worries about the dangerous increased friction over the islands. A resolution adopted by the Security Council at an emergency session on 4 April 1982 appealed to the governments of Argentina and Great Britain to strive for the diplomatic settlement of their disagreements and for complete respect for the goals and principles of the UN Charter. A similar appeal was voiced by UN Secretary General J. Perez de Cuellar. According to the secretary general's explanation, the group of issues raised at the consultations begun with his participation will exclude the possibility of settling the question of sovereignty at this time.

There is no question that most of the responsibility for the situation created by the dispute over the Falklands (Malvinas), the abovementioned TASS statement stressed, must be borne by England, which has spent many years stubbornly opposing the implementation of the UN resolutions regarding their decolonialization and the peaceful settlement of its dispute with Argentina over the sovereign rights to them. Although representatives of the Conservative government in Great Britain

have verbally expressed their desire for the diplomatic settlement of the conflict, England has continued to escalate tension and build up military preparations on an unprecedented scale, stipulating the return of the islands to its colonial jurisdiction as a preliminary condition for the peaceful settlement of the dispute. As a result of the position taken by England, the talks on this matter within the UN framework ended in failure. "Members of the Security Council and officials," England's GUARDIAN newspaper reported in this connection, "were amazed by the speed with which M. Thatcher rejected the proposals of the UN secretary general." This reaffirmed the fact that attempts to settle the dispute by peaceful means were doomed in advance by England's behavior. The military skirmish in the South Atlantic provided new and strong evidence that it is not the imaginary "Soviet threat," but the aggressive policy of imperialism, that poses a real threat to peace. "England's use of military force is being condemned," the TASS statement said, "in Soviet administrative circles." Peaceful negotiations are the only possible way of settling the Anglo-Argentine dispute.

It is obvious that a just and final settlement of this acute conflict spanning a century and a half will only be made possible by the implementation of the principle of decolonialization--one of the fundamental principles of present-day international relations. The settlement of the Anglo-Argentine dispute over the Falklands (Malvinas) cannot be based on the selfish intentions of imperialist states to use these islands for military-strategic purposes.

FOOTNOTES

1. This refers to the United Provinces of La Plata (present-day Argentina).
2. Yu. G. Barsegov, "Territoriya v mezhdunarodnom prave" [Territory in International Law], Moscow, 1958, p 237.
3. Marcos Armando Ardi, "Bilateral Pacts on Military Aid," Moscow, 1955, p 36.
4. Ibid., p 26.
5. Ricardo Levene, "History of Argentina," Chapel Hill (North Carolina), 1937, pp 423-424.
6. In April 1982 a decree of the Argentine Government officially declared that the Malvinas Islands, as well as South Georgia and the South Sandwich Islands, were the country's independent 24th province and that General M. Menendez had been appointed governor of this province.
7. See, for example, the speech by the Argentine representative at the 31st Session of the UN General Assembly on 1 December 1976 (Doc. UN A/31/85, 9 December 1976, pp 17-25).
8. F. M. Auburn, "Antarctic Law and Politics," London-Canberra, 1982, p 55.

COPYRIGHT: Izdatel'stvo "Pravda". "Mirovaya ekonomika i mezhdunarodnyye otnosheniya", 1982.

BOOK ON STUDY OF GLOBAL PROBLEMS REVIEWED

Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNNYE OTNOSHENIYA in Russian No 6, Jun 82
(signed to press 28 May 82) pp 143-145

[Review by G. Shakhnazarov of book "Global'nyye problemy sovremennosti. Nauchnyy i sotsial'nyy aspekty" [Present-Day Global Problems. The Scientific and Social Aspects] by V. V. Zagladin and I. T. Frolov, Moscow, Izdatel'stvo "Mezhdunarodnyye otnosheniya," 1981, 238 pages: "The Study of Global Problems: Achievements and Objectives"]

[Text] Present-day global problems have recently been the object of increasing attention in Soviet scientific literature. Whereas this subject matter was previously discussed mainly in magazine articles and specific sections of anthologies, it is now being examined in whole monographs. One of the first signs of this trend is the recently published book by V. V. Zagladin and I. T. Frolov, two authors who have worked long and productively "in tandem" in the field of global studies [globalistika]. The new work, which generalizes and summarizes their previous research, will be of unquestionable interest to specialists and the general public.

Is it correct to use the term "global studies"? We believe that it is. It can now be regarded as an established fact that the comprehensive study of several urgent problems of worldwide significance, which have been labeled "global," warrants generalization and has already taken its place as a special field of science--the result of interaction by philosophy, political economy, law, political theory and international relations, history, geography, mathematics, pedagogics, medicine and many other social, natural and technical sciences. This is probably the most vivid example of the increasing integration of scientific knowledge.

The field of global studies would seem to have been invented expressly to combine all of these fields of science, uniting them in a single entity. In addition, it reflects the main trends of the present era more than any other field of science. In fact, what we call global problems are not something that were encountered just today or yesterday. Wars have been fought on earth since the most ancient times; hunger and epidemics have wiped out whole civilizations; literacy has been the privilege of a limited elite; there has been a shortage of resources and the predatory treatment of the environment has displayed its vindictive spirit more than once; some nationalities and countries have gone much further than others in their economy development and have used their superiority in the interest of domination

and enrichment. The negative aspects of urbanization were already apparent in the 19th century. Even overpopulation is nothing new, and Malthus and Malthusianism provide eloquent proof of this; it is possible that the demographic explosion is the only uniquely modern phenomenon.

However, neither the scales of these phenomena nor the level to which they were reflected in the social consciousness made them the focus of attention or brought about any serious attempts to counteract them collectively. This became necessary and possible only after the radical changes resulting from the technological and socialist revolutions. On the one hand, capitalism had made global problems so acute that they threatened (to one degree or another) to undermine the very existence of the human race and deprive it of its future. On the other, socialism held out the real possibility of their resolution and, what is even more important, provided momentum for the birth and spread of the international consciousness, which perceives the world community as a single entity.

Some people say that the field of global studies came into being through the efforts of the notorious Club of Rome. Its series of reports prepared by prominent Western experts have more or less systematically examined the dangers connected with the "demographic explosion," the food and energy crises and the accumulation of ecological difficulties, have put forth various recommendations and initiated the development of mathematical models and scenarios of world development.

It would be difficult to overestimate the contribution of the members of the Club of Rome, just as that of several other progressive bourgeois scholars, to the study of global problems. Despite all the weaknesses and shortcomings of their "plans for the future," it is important that these people are challenging militarism, racism and nationalist biases and are calling upon the general public in the capitalist countries to realize that the spirit of "global solidarity" is more necessary now than ever before.

In the broad sense of the term, however, the field of global studies is indisputably rooted in Marxist scientific thought and the ideology of the revolutionary workers movement, and not in liberal bourgeois or reformist thinking. This must be stressed, and not only for the sake of establishing priority: This also explains why our science is obligated to be in the vanguard of further investigations in this field and, one might even say, to set their tone.

For this purpose, we must first determine the subject matter of this research, lay the proper philosophical foundation for it, plan the methodology and methods of approaching it, agree on the division of labor among various fields of science and the methods of combining them and set immediate and long-range objectives. The book by V. Zagladin and I. Frolov aids in the establishment of Soviet global studies by elucidating many of these pertinent matters.

Just what, in our opinion, is of the greatest interest in this book? Above all, it is the determination of the criteria for classifying various problems as global ones and categorizing them. It will be important to keep global studies from spreading to all floors of the societal building and trying to investigate everything--and consequently nothing.

The authors define global problems as the following: First, problems which essentially touch upon the interests and will later affect the future of the entire human race; second, those which actually acquire a global nature--that is, prove to be an objective factor of societal development in all of the main regions of the world; third, problems which threaten the future of society and which must be solved to ensure the further progress of society; fourth, problems which can only be solved through the concerted, united efforts of all mankind--that is, problems which cannot be solved only on the local or regional level (pp 5-9).

All of these points cover the most specific features of global problems. At the same time, in order to distinguish them more clearly from the huge group of questions connected with social development and to help the reader understand the full meaning of the term "global," it would be useful, in our opinion, to contrast it to the term "universal." The latter term is used to describe problems which are apparent everywhere but do not meet the other criteria of global problems and, above all, do not require the collective efforts of all mankind for their resolution.

Further on, in an analysis of the origins of global problems from the standpoint of the basic postulates of historical materialism, the authors stress that some of them are rooted in the relations between man and nature--that is, they originate in the natural sphere--while others are rooted in relations between people--that is, in the social sphere. This is the basis for their further classification, which corresponds to the composition of the monograph: "intersocial" global problems--the need to consolidate peace and overcome underdevelopment; global problems in the "man-society" system--technological progress, education and culture, population growth, public health, man and his future; global problems in the "man-nature" system--natural resources, energy, food and environmental protection.

Of course, other categories could also be suggested, and this matter warrants consideration. In particular, we feel that questions connected with the need to protect the spiritual environment should be added to the list of the principal global problems.*

Another strong point of the book is that the authors examine global problems not from the pragmatic standpoint, but in the broad philosophical context, with a comprehensive overview. In accordance with Marxist-Leninist tradition, man and his well-being are the focal point of the analysis of all social phenomena. This approach is all the more important because it connects the general human content of global studies with the interests of the all-round development of the individual, thoroughly revealing the significance of communism as the most genuine form of humanism.

"The new humanism proclaimed by Marxism," the authors stress, "is fundamentally class-oriented and has always rested on the idea of the international human community, which will be fully and properly realized in the future communist society. For this reason, it represents an organic combination of global approaches,

* For more about this, see G. Shakhnazarov, "Gryadushchiy miroporyadok" [The Impending World Order], Moscow, 1981, pp 232-249.

transferring them to the tangible sphere of politics, with a view to the coexistence of the socialist and capitalist systems in today's world and to the need for profound socioeconomic, scientific, technical and cultural reforms for the construction of a new civilization" (p 200).

This also defines the prospects for the resolution of global problems. Of course, the radical prospect* is connected with the triumph of socialism throughout the world, and the intermediate or partial prospect is connected with international cooperation in an atmosphere of peaceful coexistence. The fact that a willingness to cooperate is inherent in the very nature of socialism and the fact that the USSR and other socialist states feel that it is their duty to constantly promote united efforts to satisfy all vital human needs are of fundamental political significance. It is on the basis of this criterion--perhaps no less than any other--that people will decide to which social order the future rightfully belongs.

The sweeping, philosophical approach to global subject matter turns it into a kind of prism which provides a better understanding of various social phenomena, the dynamics of their development and their role in today's world. This is true, for example, of science, which is now, in the author's words, being sociologized and humanized and is becoming more and more "humanly measurable"--that is, it must be consistent with human qualities and needs.

A section on the necessary social conditions and scientific methods for the resolution of global problems will be of indisputable interest to specialists who read the book. The section begins with a discerning review of major Western studies, especially the reports of the Club of Rome. Of course, much has been written about this in our literature, including the authors' own articles. In the monograph being reviewed, however, the material is categorized and is presented in chronological order, showing the road traveled by bourgeois global studies under the influence of scientific criticism (including Marxist) and "criticism of life itself." Besides this, the authors evaluate the latest works, such as the report by President A. Peccei of the Club of Rome, "One Hundred Pages for the Future."

After pointing out the many positive features of the plans of progressive Western scholars, V. Zagladin and I. Frolov reveal their limitations in the analysis of the decisive questions connected with the construction of a truly just international economic and political order. They do this not only on the level of general theory, but also specifically, citing from a fairly broad range of sources to illustrate how real socialism is evolving into the society of the future (the decisions of congresses of the CPSU and other fraternal parties in the socialist countries, plans and forecasts for the 1981-1985 period and for the period up to 1990, statistics, etc.).

We would like to direct attention to another significant fact. The authors attempt a general methodological appraisal of global forecasts, models and scenarios of world development and reveal their utopian features, the degree of their effectiveness and the extent to which they are influencing social life. They justifiably

* Of course, this refers to the present "set" of global problems because new problems of a higher order will inevitably arise on higher levels of societal development.

criticize the excessive formal mathematical models that are characteristic of Western science, stressing that even the latest models, in which theories of social development have been "incorporated," are no substitute for meaningful theoretical analysis.

All of this is true, but we must remember that it is precisely during the present stage of the development of Soviet global studies that the modeling of the future must be given the necessary attention, after the formal aspects of the process have been minimized and its conceptual content has been enriched. It goes without saying that they will also be of great significance on the ideological level and will serve as material to refute all types of distortions of historical prospects in bourgeois futurological studies which pretend to reveal the state of the world in the year 2000 and after.

The authors end their book with a concise set of conclusions, entitled "Strategy for the Future." Among the ideas set forth in this meaningful section is the belief that the new social function of world science presupposes solidarity within the world scientific community and the investigation of fundamental questions connected with the future of mankind through the interaction of fields of science and the reinforcement of their philosophical and moral bases to correspond to the state of global problems.

COPYRIGHT: Izdatel'stvo "Pravda". "Mirovaya ekonomika i mezhdunarodnyye otnosheniya", 1982.

8588
CSO: 1816/9

BOOK CRITICIZING WESTERN THEORIES OF LABOR REVIEWED

Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA in Russian No 6, Jun 82
(signed to press 28 May 82) pp 146-147

[Review by S. Pronin of book "Velikoye otkrytiye Karla Marks'a. Metodologicheskaya rol' ucheniya o dvoystvennom kharaktere truda" [Karl Marx' Great Discovery. The Methodological Role of His Teachings About the Dual Nature of Labor] by Vl. Afanas'yev, Moscow, Izdatel'stvo "Mysl'," 1980, 267 pages: "Fundamental Problems of the Capitalist Method of Production"]

[Text] Marxist methodology is the key to the disclosure of the socioeconomic essence of the most complex processes in today's capitalist society. It represents an instrument of scientific investigation which is a radical means of disclosing the narrow class, apologetic nature of bourgeois political economy and a means of proving that the bourgeois social sciences have no future. One of K. Marx' discoveries--his teachings about the dual nature of labor embodied in the product--is the subject of this book, in which the author analyzes several of the basic aspects of the political economy of capitalism with the aid of this methodological premise.

The author proves that K. Marx' teachings about the dual structure and value of the commodity or service explain why the growth of services in the capitalist society is not transforming capitalism into some kind of "post-capitalist system" or "service economy." This growth does not change the cost relations between commodities in their material and non-material form and therefore does not change the nature of capitalist relations in general (ch II, § 1). In this connection his analysis of the two facets of labor productivity in the capitalist society is interesting (ch III, § 5). Services performed for the capitalist, when he acts only in the capacity of a consumer, create material use value (the labor of a tailor, for example) without creating any surplus value or reproducing capitalist relations. On the other hand, paid labor for a capitalist, even in the sphere of non-material production, creates surplus value and becomes a derivative form of labor (for example, that of an actor) because it is "exchanged" for capital rather than for income as in the first case (pp 127-128).

Another important problem examined by the researcher is the question of the relationship between the value of manpower and wages. Debates over this question often convey the impression "that wages are not regulated by the value of manpower because a paradox is evident--the value of manpower and its cost, or wages, are not

parallel (p 166). The author studies the dynamics of these two variables by comparing the cost and natural facets of nominal wages in connection with the productive force of social labor, the intensity of labor, the increasing complexity of labor, the dynamics of absolute and relative surplus value and many other factors examined in Chapter V.

To some degree, his analysis of the dual nature of manpower (ch III), the productive force of labor and the intensity of labor (ch II, § 4) and the duality of methods of producing surplus value (ch IV) are separate matters but add to his analysis of the first topic.

An important object of analysis is the circulation of industrial capital with a view to the dual nature of labor, in which case hired labor creates use value as well as value and surplus value (ch VI). This central line of capitalist reproduction is examined with consideration for the differences between fixed and working capital, the dual structure of production costs and the dual nature of capital itself and its accumulation. Correctly underscoring the importance of demand, V.I. Afanas'yev notes that bourgeois economists ignore the dual structure of capital, regard all accumulated capital only as a single variable and erroneously conclude "that the rise in the demand for manpower is commensurate with the accumulation of capital" (p 205). These aspects of his analysis and his largely new interpretations of these topics allow the author to cogently reveal the fundamental features of the relative and absolute deterioration of the status of the working class in the capitalist society.

The last chapter (VIII) of the book, in which the author criticizes several schools of contemporary bourgeois political economy, is of great interest. In particular, he presents a detailed analysis of the "sectorial approach to the historical process" taken by Samuelson, Bell, Fourastier and Galbraith.

The author has not discussed all of his topics with equal success. For example, in his discussion of the basic structural law of commodity relations, he does not reveal its connection with the law of value clearly enough. Besides this, if the criteria of the dual nature of labor determine the basic quality of commercial capitalist production, the author should have stressed the systemic nature of Marx' approach in contrast to the onesided structural and functional approaches of bourgeois theorists. Unfortunately, he says almost nothing about the specific features of the world capitalist economy, although he could have mentioned several new features in his discussion, similar to the features he discusses in his macro- and micro-analyses of national economies. There is no question that the work would benefit from the inclusion of more of the latest statistics.

COPYRIGHT: Izdatel'stvo "Pravda". "Mirovaya ekonomika i mezhdunarodnyye otnosheniya", 1982.

8588
CSO: 1816/9

BOOK ON CAPITALIST WORLD ECONOMIC CRISIS REVIEWED

Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA in Russian No 6, Jun 82
(signed to press 28 May 82) pp 147-148

[Review by G. Chibrikov of book "Kapitalisticheskaya ekonomika bez kompasa" [The Capitalist Economy Without a Compass] by Yu. V. Shishkov, Moscow, Izdatel'stvo politicheskoy literatury, 1981, 192 pages: "A Ship Out of Control"]

[Text] Today's capitalist world economy is suffering from a serious ailment. Capitalism is already experiencing its third economic recession in the last 10 years. By the end of the 1960's its currency system was out of order. This was followed by the disruption of the balance of payments of many countries, increased instability in world markets for loan capital and the catastrophic and almost worldwide inflationary rise of prices. All of these ruinous processes combined to make up a complicated and tangled knot that was closely connected with several structural crises: the energy, raw material and food crises which struck the capitalist world economy in the 1970's.

What is the reason for the present disorder in the world capitalist economy and in what does it consist? In the work being reviewed, this problem is examined through the prism of the capitalist economic mechanism, the ineffectiveness of which stems directly or indirectly from all of the previously mentioned crises.

The author believes that market regulation still plays the deciding role in the international part of the economic mechanism, in spite of the significant and constantly increasing part played by monopolistic regulation. The influence of bourgeois governments on world economic processes were confined until recently to the establishment and maintenance of the rules of noninterference with the spontaneity of market processes. "It is here," Yu. Shishkov writes, "that a contradiction gradually comes into being between the rising level of the international collectivization of production and the limited national state framework of the purposeful macroeconomic regulation of this production" (p 46). The author correctly points out the fact that the outdated structure of the international part of the capitalist economic mechanism no longer meets the requirements of the continuous development of productive forces. By the end of the 1960's it was unable to cope with the economic contradictions that had accumulated within the world capitalist economy. These contradictions broke out in an entire series of functional and structural crises. "Therefore, in the late 1960's and early 1970's a new crisis broke out in the mechanism of the world capitalist economy, with the epicenter located in its

international part. This is the main feature distinguishing today's disorder in the capitalist mechanism from the one that was present in the period between the wars" (p 48).

The book contains an analysis of the crisis of the capitalist currency system, the disruption of international credit relations and the state of the international accounts and balance of payments of the capitalist countries. The author points out the fact that the balance of payments of the leading capitalist countries is least stable in their accounts with developed capitalist states, and not developing countries. "The epicenter of the crisis in the system of international payments," he stresses, "is located in the developed part of the world capitalist economy, and not in the Persian Gulf zone, as Western economists and politicians would have us believe" (p 118). The inability of the capitalist mechanism of international economic relations to guarantee the proper balance in the world capitalist economy gave rise to the energy, raw material and food crises.

The steady drop in economic growth rates in the industrially developed Western countries was a direct result of the crisis of the capitalist economic mechanism and it, in turn, slowed down growth in the developing states. In fact, if certain growth indicators of the non-socialist countries as a whole in the 1974-1979 period are compared to indicators for the two preceding decades, we find that the latter figure is 1.5 times as great for the growth rate of the gross domestic product and 2.1 times as great for the growth rate of industrial production (p 166). Qualitative indicators of industry's functioning also deteriorated, especially the important indicator of labor productivity.

The author concludes that the economic and social consequences of the crisis of the economic mechanism are raising serious doubts about the viability of capitalism as a social system, which has compelled ruling circles in the West to search feverishly for ways of modifying this mechanism. Not one aspect of the latest crisis, however, has proved susceptible to regulation. "The world capitalist economy is like a ship that is out of control and is being carried by the winds and currents in an unknown direction. Furthermore," the author stresses, "the captains and navigators of the ship are apparently not even capable of determining its coordinates or sailing it toward the desired shore" (p 188).

It is still difficult to find an unequivocal answer to the question of whether capitalism is capable of coping with another modification of its economic mechanism, Yu. Shishkov writes. In contrast to past reorganizations, its present reformation presupposes the extension of the methods of state-monopoly regulation to the precise zone where there is no single sovereign and where the national sovereignties of various imperialist and developing states come into conflict. This is a completely new situation for which all previous means and methods are unsuitable. The creation of a mechanism of intergovernmental regulation is being impeded by many factors: ineradicable class antagonism, acute inter-imperialist conflicts, increased confrontation between capitalist and developing countries and many other problems.

The author also asks how long the present crisis in the capitalist economic mechanism can go on. Past crises, he points out, have lasted around two decades each. Many recent books and articles in the West repeat American futurologist H. Kahn's

idea that the "age of miracles" is past and predict increasingly serious difficulties for the capitalist world economy for at least the next two decades (p 191). There is every reason to believe that the 1980's will be a period of severe economic and sociopolitical upheavals in the capitalist world, including its economic mechanism. Furthermore, they will be accompanied by the contraction of the sphere of imperialist domination.

One of the book's indisputable merits is its analysis of the economic mechanism and its crisis in the context of the world capitalist economy. It provides a deeper understanding of what is happening to capitalism today and what directions its development will take tomorrow. It must be said, however, that the role of this crisis, described as "the main immediate source of the impending severe indisposition of the world capitalist economy" (p 5), is slightly exaggerated. The breakdown of the economic mechanism can make contradictions more acute and can be one of the important causes of the crisis in the world capitalist economy, but the main source of the present serious disorder is the basic contradiction of capitalism, which takes many forms.

This does not detract from our overall assessment of Yu. Shishkov's book: It is an original work, written in an accessible style, which will make a serious contribution to the study of capitalist economic processes and which will most probably arouse the interest of readers.

COPYRIGHT: Izdatel'stvo "Pravda". "Mirovaya ekonomika i mezhdunarodnyye otnosheniya", 1982.

8588

CSO: 1816/9

BOOK ON CONFLICTS BETWEEN SOCIALIST STATES REVIEWED

Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA in Russian No 6, Jun 82
(signed to press 28 May 82) pp 149-150

[Review by L. Nezhinskiy of book "Sotsialisticheskiye mezhdunarodnyye otnosheniya. Ocherk sistemnogo issledovaniya" [Socialist International Relations. A Comprehensive Investigation] by D. M. Fel'dman, Moscow, Izdatel'stvo "Nauka," 1981, 183 pages: "Relations Between Socialist Countries: Problems of Theory"]

[Text] The systemic approach to various social phenomena and processes has been used more widely in recent years in works by Soviet social scientists. What makes this method particularly valid and useful is the increasing interdependence of the domestic and foreign policy of any state, the increasing complexity of international relations and intergovernmental ties and the need to seek and find the main trends and tendencies in international life that will allow revolutionary democratic forces to promote the cause of socialism, peace and progress. The subject of this review is of indisputable interest in this connection.

The author's purpose was to examine the basic concepts and categories of the theory of socialist international relations and several of the most important methodological problems during the present stage in the development of this field of science. Although the work is mainly of a theoretical and methodological nature, the author has also attempted to connect the study of problems of theory with the resolution of several key problems in the interrelations between socialist countries. In accordance with this general purpose, D. Fel'dman discusses such urgent and sometimes debatable issues as the subject, method, laws and principles of the theory of socialist international relations, possible contradictions, the connection between the global balance of power and the development of interrelations among socialist countries, the general and specific features of the foreign policy of these states and the modeling and forecasting of socialist international relations.

Examining the systemic approach not merely from the limited standpoint of its practical features, but as a methodological system based on the principles of dialectical materialism, D. Fel'dman gives considerable attention to the analysis of the philosophical aspects of the theory of socialist international relations.

This approach to the topics discussed in the book turned out to be quite productive, and this is most clearly reflected in the discussion of contradictions in the development of the new type of international relations. Applying the premises of

Marxist dialectics specifically to this sphere of societal relations, the author does not confine his discussion to criticism of assumptions about their absolute harmony and lack of contradictions. Using CPSU documents and works by Soviet authors as a basis, he attempts a theoretical analysis of the causes of actual contradictions and conflicts in the intergovernmental relations of the countries of the world socialist system. Pointing out the fact that "the existence of reasons for conflicts in relations among socialist countries does not, as the development of the world socialist system has demonstrated, exclude the possibility of the victory of a socialist revolution in these countries" (p 56), D. Fel'dman takes considerable time to analyze ways of avoiding and resolving such conflicts, laying special emphasis on the importance of the consistent observance of the principles of socialist international relations.

The natural laws governing the new type of international relations occupy a prominent place in the monograph. The author does not try to "discover" more and more new natural laws, but simply points out the significant and stable trends in the development and functioning of socialist international relations. His use of the systemic approach leads to a cogent explanation of the specific laws governing this system as a definite entity and allows him to substantiate his conclusion that "the natural laws governing the system of socialist international relations are inherent in this system, taking shape and acquiring their specific features within it and with it" (p 73).

The author presents an interesting interpretation of the principles of socialist interrelations, proceeding from the belief that, "from the objective standpoint, these principles are a reflection of the natural laws governing the development of world socialism and, from the subjective standpoint, they reflect the degree to which these laws are recognized" (p 91). He stresses the primacy of the socialist social order as the objective basis of the united goals and actions of socialist countries. At the same time, the world socialist system is a community of sovereign states, each of which has its own system of public ownership, forms of political organization and groups of international interests. All of these features are reflected in the interrelations between socialist countries and in the principles of socialist international relations. The author examines these principles not as something permanent that has taken its final form, but as a flexible system of human beliefs, reflecting the most significant developments and changing with them. The author warns, however, against the tendency to confuse the principles of human activity in this sphere of societal relations with the laws governing these relations (pp 90-91).

His comprehensive analysis of socialist international relations includes a study of the internal (intrasystemic) and external (systemwide) aspects of interaction by participants. This approach leads to an examination of the overall balance of forces in the world and the role and content of this category in connection with the relations within the community of socialist countries. Carrying out this dual task, D. Fel'dman strives to reveal the connection between the needs, interests and foreign policy goals of the socialist state, as a subject of international relations, and explains the purpose and functions of force as a means of attaining these goals.

We feel that the author's analysis of intrasystemic aspects could have been more thorough. In particular, he should have provided a more detailed description of

the mechanism of dialectical interaction for the resolution of domestic economic problems in each country of the socialist community and the process of economic integration as one of the main trends in the development of world socialism.

The fundamental distinction between the purpose and functions of force in the new type of foreign policy ties and its purpose and functions in the international relations of the exploitative society is discussed in the chapters in which the author assesses the balance of forces in the world and analyzes the general and particular features of the foreign policy of socialist countries. He stresses the objective need for united action by the socialist states in the struggle for long-range strategic goals. Pointing out some of the differences, and sometimes even conflicts, between the goals and interests of socialist countries and the negative effect of factors hostile to the nature of the new order on their interrelations, the author persistently suggests that, "in spite of the fact that some national state interests do not coincide, due to differences in levels of socioeconomic development, the maturity of socialist societal relations, population size, geographic location and other factors, the fundamental needs of all socialist states and peoples are essentially quite similar" (pp 156-157). Unfortunately, it is precisely in this part of the work, in his discussion of political practices, that D. Fel'dman often confines himself to only a few illustrations of interesting theoretical premises and thereby reduces the value of his research.

The final chapter of the book deals with the little-researched subject of the place and role of the theory of socialist international relations in the modeling and forecasting of their development. Assessing the prospects of mathematical modeling in this sphere with moderate optimism, the author says that "the very theory of socialist international relations can serve as a general plan or ideal structure reflecting reality. Its set of conceptual beliefs can be regarded as a theoretical model" (p 180). The validity of the model and of the forecasts based on it will stem from the class nature of the theory, its correspondence to actual events and the logic of its construction.

Not all of the parts of this work are of equal value. Some of the topics require further discussion and some statements are ambiguous. For example, what is the "equilibrium of the system of international relations" which "can represent the stability of its development" (p 46)?

On the whole, however, D. Fel'dman's monograph is a serious study which will actively promote the scientific investigation of important theoretical aspects of the international relations of socialist countries.

COPYRIGHT: Izdatel'stvo "Pravda". "Mirovaya ekonomika i mezhdunarodnyye otnosheniya", 1982.

8588
CSO: 1816/9

BOOK ON CLASS BASES OF U.S. FOREIGN POLICY REVIEWED

Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA in Russian No 6, Jun 82
(signed to press 28 May 82) pp. 151-152

[Review by V. Lukov of book "SShA: za fasadom global'noy politiki (Vnutrenniye faktory formirovaniya vneshej politiki amerikanskogo imperializma na poroge 80-kh godov)" [The United States: Behind the Facade of Global Policy (Domestic Factors Influencing the Foreign Policy of American Imperialism on the Threshold of the 1980's)] by A. A. Kokoshin, Moscow, Izdatel'stvo politicheskoy literatury, 1981, 367 pages: "The Driving Forces of American Foreign Policy"]

[Text] The topics discussed in this work are of extreme practical significance as well as scientific importance. They are some of the basic domestic processes and developments in the United States in the 1970's and early 1980's that have had the greatest influence on American imperialism's present policy line in the international arena.

The author strives to examine this broad group of problems in their dialectical interaction with processes occurring outside the United States. He presents a comprehensive analysis of the driving forces and "hidden mainsprings" of U.S. foreign policy. The author concentrates on a broad spectrum of economic, political, ideological and sociopsychological problems that seem to revolve around the focal point of American policymaking.

The discussion of the main topic is preceded by a brief but thorough description of Washington's official international positions at the present time. The inclusion of this section is made more valid by the fact that, as the author points out, "the increasing dependence of the United States on other countries by the end of the 1970's did not fit into the framework of traditional U.S. relations with other countries and regions and was regarded by the American ruling class as a qualitatively new phenomenon in U.S. history" (p 9).

The author cites specific facts as conclusive proof that the main factor changing U.S. positions in the world is the continuous consolidation of the international position of the Soviet Union and the entire socialist community, which is having a pervasive and prolonged effect on world politics.

Kokoshin directs special attention to the energy crisis as the most obvious and politically significant aspect of the United States' dependence on foreign states.

Correctly noting that the energy crisis had become present-day America's most acute economic, social and domestic and foreign policy problem in the 1970's, he discusses its immediate and long-range effects on the behavior of U.S. ruling circles in world politics.

Summing up the results of the relative deterioration of American monopolistic capital's position in the Western economy and the reduced opportunities for neocolonial robbery in the developing countries, the author concludes that the U.S. monopolistic elite's additional sources of profit began to disappear in the 1970's. "Even if the economic position of the United States in relation to its main imperialist rivals does not grow weaker in the coming decade, the changes that have taken place are so significant," we read in the book, "that their further reflection in socio-economic affairs within the United States will increase social friction in the country and contribute to the growth of the class awareness of American laborers" (p 73).

A distinctive feature of the critical aggravation of many domestic economic and social problems in America in the 1970's and early 1980's is the ability of these problems to impose objective limitations on the foreign policy activity of the ruling class and--through several mediating links--to influence the functioning of government agencies, including the foreign policy mechanism. The author cites extensive factual material to illustrate how domestic economic problems combined with the weaker international economic position of the United States can affect the social psychology of various classes, groups and strata and lead to the loss of trust in the existing structure of sociopolitical relations. This is the main reason for the mounting class friction and more pronounced political polarization in the United States (p 125).

The author's analysis of the complex and often contradictory processes occurring in the American power structure is extremely important for an understanding of the specific features of U.S. foreign policymaking at the present time. As the author correctly stresses, the crisis of authority, which deformed much of the political and governmental system that had been taking shape for decades in the American capitalist society, "will have far-reaching foreign policy consequences. In their most general form they will be reflected in the heightened inconsistency of presidential behavior in the international arena, the greater vulnerability of this behavior to domestic political changes brought about by the activities of opposing monopolistic groups, etc." (p 167). Under these conditions, there is a stronger tendency "to take dramatic, peace-endangering foreign policy actions for the sake of immediate domestic political advantages, and this is having the most negative effect on U.S. relations with other states and on the state of international relations in general" (p 249).

Examining the workings of the present-day foreign policy mechanism in the United States, the author focuses less on its formal structure and the regulating functions of various subdivisions than on the actual "springs of power," information channels and the role of leading figures in the foreign policymaking process, including those who are officially concerned only with domestic problems.

This approach has naturally required a broader interpretation of the term "foreign policy mechanism," with the inclusion of non-governmental bodies. The author

presents a detailed description of the non-governmental organizations of the ruling class, in which the "conceptual bases of U.S. foreign policy are worked out for each new administration and for the ruling class groups that are competing with the political group in power" (p 8).

A. Kokoshin proposes an interesting system for the classification of conflicts in the top levels of the U.S. political leadership, arising as a result of institutional rivalries, political differences and personal conflicts (p 306). We feel that it has been used quite productively in the analysis of the so-called "command approach" to foreign policy decisionmaking in the previous administration. Within the context of the latter, which was distinguished by the President's tendency to balance between competing executive agencies, "many conflicts between leading foreign policy figures became even more acute and were supplemented by organizational problems stemming from the current nature of the interaction of international and domestic political factors in U.S. foreign policymaking" (p 298). The President's advisers on domestic issues and people with diverse political ties in the American "establishment" began to play a more noticeable role on the top level of foreign policymaking (p 302). These factors led to a situation in which the administration, which did not have enough experience in government, displayed a vacillating approach to major domestic and foreign policy issues. The President's policy "was often more reminiscent of the behavior of a presidential candidate than of a head of state, expressing the interests of the nation's ruling class" in a general and integrated form and simultaneously acting on these interests in the international arena "with an understanding of the basic laws of intergovernmental relations, which differ significantly from the laws of domestic politics, not to mention the laws of temporary political maneuvers in the United States" (p 341). The inconsistent and contradictory nature of the current President's predecessor was one of the main reasons for Carter's election defeat and the victory of Ronald Reagan.

All of this indicates the breadth of the range of problems discussed in the monograph being reviewed. It must be said, however, that the discussion of some issues (particularly the consequences of the Watergate affair) should have been connected more closely with the central topic of the book.

COPYRIGHT: Izdatel'stvo "Pravda". "Mirovaya ekonomika i mezhdunarodnyye otnosheniya", 1982.

8588
CSO: 1816/9

- END -